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

Please also note that under the Openness of Local Government Bodies Regulations 2014 that other people may film, record, tweet or blog from this meeting. The use of any images or sound recordings is not under the Council's control.

To: All Members of the Borough Council

You are requested to attend the meeting of the Charnwood Borough Council to be held in the Victoria Room, Loughborough Town Hall on Monday, 21st February 2022 at 6.30 pm for the following business.

Chief Executive

Southfields
Loughborough

11th February 2022

AGENDA

1. APOLOGIES

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

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

It is a requirement of the Council's Code of Conduct for Members that the existence and nature of all personal interests must be disclosed. Therefore, in the case of item 6.1 on the agenda, 2022-23 General Fund, HRA Revenue Budgets and Council Tax and Medium Financial Strategy 2022/25 , it is suggested that members of precepting authorities declare such interests. (For example, this would relate to members of Leicestershire County Council, the Combined Fire Authority and Parish and Town Councils).

3. MINUTES OF THE PREVIOUS MEETING 7 - 13

To confirm the minutes of the Council meeting held on 17th January 2022.

4. ANNOUNCEMENTS

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

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

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

5. PETITIONS

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

6. BUSINESS RESERVED TO COUNCIL

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

6.1. GENERAL FUND AND HRA REVENUE BUDGETS AND COUNCIL TAX 2022-23

A report of the Cabinet, setting out the proposed General Fund and HRA Revenue Budgets for 2022/23 along with the proposed Council Tax Levy, and the 2022/23 proposals to increase rent and service charges within the ring-fenced Housing Revenue Account. **To follow.**

The full Council Tax Recommendations, which the Council must consider in order to set a Council Tax Levy and General Fund and HRA Revenue Budgets for 2022/23, will be circulated once the major preceptors have confirmed their precepts.

6.2. CAPITAL STRATEGY, INCLUDING TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2022/23 14 - 82

A report of the Cabinet, setting out the Capital Strategy, the

Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2022/23, together with the changes to the Council's financial regulations, and other elements of the Constitution necessary to enable delivery of the Investment Strategy, is attached.

A report of the Cabinet setting out a new Capital Plan 2022/23 to 2024/25 and sources of funding for consideration and approval, is attached.

A report of the Chief Executive, enabling the Council to consider the findings and the recommendations of the IRP in respect of allowances paid to Members of the Council and the scheme of Members' Allowances for 2022/23, is attached.

A report of the Audit Committee to consider a recommendation of the Audit Committee that the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors and that authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

7. CALL-IN REFERENCES

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

8. POSITION STATEMENTS

No requests for position statements were received.

9. MOTIONS ON NOTICE

No motions on notice have been received.

10. QUESTIONS ON NOTICE

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

10.1. GARAGES

Question submitted by Councillor Snartt.

11. MINUTE REFERENCES

There are no minute references.

12. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN 123 - 132

A report of the Chief Executive to note decisions which were exempted from call-in in accordance with Scrutiny Committee Procedure 11.9.

13. DELEGATION OF EXECUTIVE FUNCTIONS: DELEGATION OF EXECUTIVE FUNCTIONS TO THE LEADER 133 - 136

A report of the Chief Executive to inform Council of a delegation of an Executive function to the Leader and Deputy Leader.

14. APPOINTMENTS TO COMMITTEES 137 - 138

To consider changes to Committee membership for the current Council year (2021/22).

FORTHCOMING SCHEDULED MEETINGS OF COUNCIL

Council Meeting Date	**Deadline Date and Time for Councillors to submit Questions on Notice (under Full Council Procedure 9.9(a)), Requests for Position Statements (under Full Council Procedure 9.10) and Motions on Notice (under Full Council Procedure 9.11(a))**
Monday, 25th April 2022	Friday, 15th April 2022 at noon
Monday, 16th May 2022	Annual Council – No Questions on Notice, Position Statements and Motions on Notice

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

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

CHARNWOOD BOROUGH COUNCIL

MEETING OF THE CHARNWOOD BOROUGH COUNCIL HELD IN VICTORIA ROOM, LOUGHBOROUGH TOWN HALL ON 17TH JANUARY 2022

PRESENT
The Mayor (Councillor Baines)
The Deputy Mayor (Councillor Tillotson)

Councillor Bailey
Councillor Barkley
Councillor Grimley
Councillor Hamilton
Councillor Miah
Councillor Morgan
Councillor Murphy
Councillor Needham
Councillor Ranson
Councillor Rollings
Councillor Smidowicz
Councillor Snartt
Councillor Tillotson

97. APOLOGIES

Apologies for absence had been received from Councillors Brookes, Forrest, and Hunt.

Apologies had also been received from Honorary Aldermen Bush, Shields, Stott and Tormey.

98. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of pecuniary and personal interests were made:

Councillor Hunt –– a disclosable pecuniary interest in item 10.1 on the agenda (Questions on Notice – Neighbourhood Plans) as the MP for Loughborough.

99. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of Council held on 8th November 2022 were confirmed and signed.

100. ANNOUNCEMENTS

101. MAYOR'S ANNOUNCEMENTS

The Mayor made the following announcements.

Living without Abuse Burns night – 22nd January 2022

“A reminder that the Burns Night Mayoral Charity event is taking place at the Swan in the Rushes on Saturday 22nd January 2022 at 7p.m. There is a three-course dinner with traditional Scottish piper. Tickets are still available.”

Holocaust Memorial Day Service – 27th January 2022

“A reminder we are holding this event at 5 p.m. on 27th January 2022 in Queens Park, Loughborough.”

102. LEADER'S ANNOUNCEMENTS

The Leader made no announcements.

103. CHIEF EXECUTIVE'S ANNOUNCEMENTS

The Chief Executive made no announcements.

104. PETITIONS

No petitions were submitted.

105. BUSINESS RESERVED TO COUNCIL

106. TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY, MRP POLICY - MID-YEAR REVIEW

A report of the Cabinet to review the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2021/22 (item 6.1 on the agenda filed with these minutes).

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

RESOLVED that the Council note the mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as set out in Part B of the report.

Reason

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

107. MEMBER CODE OF CONDUCT

A report of the Member Conduct Committee to consider a recommendation from the Member Conduct Committee that the amended Code of Conduct developed by a group of Leicestershire Monitoring Officers and adopted by Leicestershire County Council and based on the LGA national code of conduct be approved and adopted with effect from the 2022/23 civic year (item 6.2 on the agenda filed with these minutes).

It was proposed by Councillor Murphy, seconded by Councillor Miah, and

RESOLVED that the amended LGA Code, as set out in Appendix A to the report considered by the Member Conduct Committee (attached as an appendix), be approved and adopted with effect from the 2022/23 civic year.

Reason

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

108. PAY POLICY STATEMENT

A report of the Personnel Committee to consider a recommendation that the Pay Policy Statement for 2022/23 be approved and adopted (item 6.3 on the agenda filed with these minutes).

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

RESOLVED that the Pay Policy Statement for 2022/23, as set out in Appendix A to the report considered by the Personnel Committee (attached as an appendix), be approved and adopted.

Reason

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

109. CALL-IN REFERENCES

There were no call-in references from Scrutiny.

110. POSITION STATEMENTS

No position statements had been requested.

111. MOTIONS ON NOTICE

112. TOWARDS CARBON NEUTRALITY IN CHARNWOOD

Further to the Council minute No. 84, 201/22, 8th November 2021 the Mayor reported that the Motion put forward in accordance with Full Council Procedure 9.12 at that meeting proposed by Councillor Ward and seconded by Councillor Goddard had been referred for further officer advice on those elements that are Council responsibilities, as set out in the report (item 9 on the agenda filed with these minutes).

Councillor Rollings responded to the motion, noting that training on carbon literacy had been held, and that it had been well attended, and that carbon literacy training was being provided for Cabinet members and the Chair of the Scrutiny Commission. He added that setting a minimum budget would not be appropriate. He stated that he would make sure funding was available to meet the target of being Carbon Neutral by 2030 but added that this was a matter for the budget and Capital Plan setting process.

The following summarises the discussion;

that the proposal did not include the Community Climate Committee as public engagement was essential in delivering carbon neutrality. It was hoped that a provisional commitment from the budget could be made towards the plan.

It was explained that there was a budget for carbon neutrality and that there had been training for Councillors. Reference was made to the Green Rewards Scheme which encouraged Councillors to show what they personally were doing towards Carbon Neutrality.

Initiatives to promote Carbon Neutrality such as solar panels on council housing or buildings should be explored, and where possible bids be made for external funding to help formulate such initiatives

It was important to safeguard the environment not just for current residents but for future generations.

Councillor Ward who proposed the original Motion on Notice summed up by thanking officers for their work on the various elements of the Motion. She welcomed the training offered and further stressed its importance. She drew attention to the fact that carbon impact was not on the Risk Register for decisions being made. She welcomed the budget proposal to create a full-time officer role to oversee plans for carbon neutrality. She further expressed concern that the proposal for an advisory group made up of residents had been dismissed and added that in a 2019 motion the Council had committed to working with residents on the issue. She suggested that carbon literacy training should be made mandatory for all new Councillors and expressed concern about amendments in the Capital Plan to not add any funding for carbon neutrality for 2022/23 or the following year.

The members then voted on the original motion and it was defeated.

113. QUESTIONS ON NOTICE

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

114. NEIGHBOURHOOD PLANS

Councillor Snartt asked how current Neighbourhood Plans could be updated to give full weight when deciding future planning applications, and how it would be funded. He also stated that Neighbourhood Planning Guidance stated that Strategic Policy Making Authorities were expected to set housing requirement figures for the designated neighbourhood areas and asked why this had not been achieved within the Borough and what assistance could the Local Planning Authority give to the neighbourhood plan groups so the current neighbourhood plans would fulfil the criteria set out in Paragraph 14b of the NPPF, giving full weight when deciding future planning applications.

Councillor Bailey stated that when the existing core strategy was prepared, Paragraph 14 of the NPPF was not in existence. He further added that officers had always been available to work with neighbourhood plan bodies to assist with preparation of the plans, however, discussions about housing numbers within the plans remained within the gift of the neighbourhood plan body and subject to examination by the expectorate. As such, the Council as a Local Planning Authority did not get involved in the decision making.

115. STAFFING ESTABLISHMENT

Councillor Draycott asked whether Leader or Cabinet Lead Member would explain to Council why more than 5% of staff had left the Council in each of the last two years (not Covid related) and some vacancies being were kept empty, in order for departmental budget savings to be made?

Councillor Morgan stated that the proportion of staff leaving the Council each year was not particularly high when compared to the private sector and recommended that Councillor Draycott continue the discussion with the relevant Cabinet lead Member.

116. GARAGES

No supplementary question was asked by Councillor Howe.

117. TRAVEL PACKS AND BUS PASSES

Councillor Grimley stated that of the 666 travel packs were made available to residents in new developments in Anstey, Shepshed and Seagrave, however, not one single bus pass was applied for. He asked whether given the low take-up of bus passes, they were an effective way to mitigate new-car traffic in the local area around housing developments.

Councillor Bailey stated that provision of bus passes had been required as part of Section 106 agreements and was within the gift of Leicestershire County Council Highways. As such Charnwood Borough Council had no influence over was asked for within the Section 106 agreements.

118. MINUTE REFERENCES

There were no minute references.

119. URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN

A report of the Chief Executive to note the action taken in respect of the purchase of an affordable housing property within woodhouse Eaves as part of a S106 agreement (item 12 on the agenda filed with these minutes).

120. NOMINATION OF MAYOR ELECT

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

RESOLVED that Councillor Tillotson be nominated as Mayor Elect for the 2022/23 Council year.

Reason

To ensure that a nomination was made for the Mayor of the Borough for 2022/23.

121. NOMINATION OF DEPUTY MAYOR ELECT

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

RESOLVED that Councillor Smidowicz be nominated as Deputy Mayor Elect for the 2022/23 Council year.

Reason

To ensure that a nomination was made for the Deputy Mayor of the Borough for 2022/23.

122. APPOINTMENTS TO COMMITTEES

It was confirmed that with immediate effect Cllr Capleton was appointed to the Housing Management Advisory Body (HMAB). This decision was taken as an officer Delegated Decision due to the timing of the change and the date of the meeting.

Note:

1. These minutes are subject to confirmation as a correct record at the next meeting of the Council which is scheduled for Monday 21st February 2022.

2. Councillors J. Bradshaw, Bokor, Campsall, Capleton, Draycott, Fryer, Gerrard, Goddard, Hadji-Nikolaou, Harper-Davis, C. Harris, K. Harris, Howe, Hunt, Mercer, Pacey, Parsons, Parton, Poland, Savage, Seaton, Shepherd, Taylor, Radford, Rattray and Ward

attended this meeting virtually. This was to limit the members in the meeting room to quorum only given the position with Covid 19. Decisions were taken only by members physically present at the meeting

Honorary Alderman Paul Day also attended this meeting virtually.

COUNCIL – 21ST FEBRUARY 2022

Report of the Cabinet

ITEM 6.2 CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2022/23

Purpose of Report

To set out a Capital Strategy, the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2022/23 for consideration and approval.

Recommendations

1. That the Capital Strategy, as set out at Appendix A of the report (attached as an Annex), be approved.

2. That the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy as shown at Appendix B of the report (attached as an Annex), be approved.

3. That the Prudential and Treasury Indicators, also set out in Appendix B of the report (attached as an Annex), be approved.

Reasons

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

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

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

Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 10th February 2022, the Cabinet considered a report of the Head of Financial Services setting out a Capital Strategy, the Treasury Management Strategy Statement, the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2022/23, for recommendation to Council. A copy of that report is attached as an Annex.

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

80. *CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY AND ANNUAL INVESTMENT STRATEGY 2022-23*

Considered, a report of the Head of Financial Services setting out the Capital Strategy, Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for 2022-23, for recommendation to Council (item 8 on the agenda filed with these minutes).

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

RESOLVED

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

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

Reasons

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

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

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.*

Implementation Timetable including Future Decisions and Scrutiny

As detailed in the attached Annex.

The report of the Head of Financial Services on this matter will considered by the Audit Committee at its meeting on 15th February 2022. Any recommendations and observations of the Audit Committee will be reported to Council.

Report Implications

As detailed in the attached Annex.

Key Decision:	Yes
Background Papers:	No additional background papers.
Officer to Contact:	Lesley Tansey Head of Financial Services 01509 634828 lesley.tansey@charnwood.gov.uk Simon Jackson Strategic Director; Environmental and Corporate Services 01509 634699 simon.jackson@charnwood.gov.uk

ANNEX

CABINET – 10TH FEBRUARY 2022

Report of the Head of Finance and Property Services

Lead Member: Councillor Tom Barkley

Part A

ITEM CAPITAL STRATEGY (INCLUDING THE TREASURY MANAGEMENT STRATEGY) FOR 2022/23

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 and proposed amendments to the Constitution 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 latest version of the Medium Term Financial Strategy (covering financial years 2022 - 2025) outlines the prospective financial challenges facing the Council and the contribution expected of the Investment Strategy in mitigating these challenges.

Implementation Timetable including Future Decisions and Scrutiny

If approved by Council the Capital Strategy (including its component strategies) will come into effect from 1 April 2022.

This report is available for the consideration of the Scrutiny Commission on 7 February 2022.

In line with governance requirements the Capital Strategy and associated Treasury Management Strategy Statement, Prudential and Treasury Indicators and Annual Investment Strategy will also be presented to the Audit Committee on 15 February 2022.

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)	Significant (2)	Low (4)	Strategy developed in accordance with CIPFA guidelines and best practice. Adherence to clearly defined treasury management policies and practices

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management Actions Planned*
Loss of council funds through failure of borrowers	Remote (1)	Serious (3)	Low (3)	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	Unlikely (2)	Significant (2)	Low (4)	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)	Serious (3)	Moderate (6)	Professional advice will be sought in advance of non-standard or new investment activity outside knowledge base within the Council. Adherence to strategy which set out limits to investment in individual asset classes.

Key Decision: Yes

Background Papers: Treasury Management mid-year update – Cabinet Report 11 November 2021

.

Officers to contact:

Lesley Tansey
Head of Finance and Property Services
(01509) 634828
lesley.tansey@charnwood.gov.uk

Simon Jackson
Strategic Director of Corporate Services
(01509) 634699
simon.jackson@charnwood.gov.u

Part B

Background

1. The Capital Strategy is a requirement arising from the extant version of the 'Prudential Code'. This code is a statutory code of practice and was published by the Chartered Institute of Public 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'.

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

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

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

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

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

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

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

6. The Council created a commercial property portfolio capital, spending £22.5m in the 2020/21 financial year. This portfolio is performing well and in other circumstances the Council may have considered expanding this. However, new regulations were introduced in 2020 preventing access to Public Works Loan Board (PWLB) borrowing for local authorities that included investment in property (or other assets) for yield purposes within their capital programmes (whether or not borrowing was linked to a specific investment asset). In 2021 this was followed by the publication of an updated Prudential Code that effectively prevents local authorities acquiring such assets where funded by borrowing.

7. The current Capital Plan includes as yet unused amounts for Regeneration (£15m) and development of the Enterprise Zone (£13m); the Capital Strategy assumes that these unused amounts will be carried forward to allow availability in future years.

8. Other than a £2m loan taken out in 1984 (and due for repayment in 2024) the Council has not been required to externalise borrowing within the General Fund. External borrowing would be required if the full £28m for Regeneration and Enterprise Zone development was invested; however, the Council has significant scope for additional ‘internal’ borrowing and in practice it is unlikely that external borrowing will be required in the next financial year.

9. In broad terms there are no changes in strategic approach proposed within the 2022/23 Capital Strategy. This does not mean that the Council cannot react to changes in circumstances or opportunities arising as the country (hopefully) moves out of the COVID-19 pandemic, but any changes in approach, and any associated amendments to the Capital Plan will need approval from Council (or as otherwise required though governance processes).

10. Overall, there are no significant changes and matters of note within the the proposed 2022/23 Capital Strategy compared to its predecessor.

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

Appendices

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

Charnwood Borough Council

Capital Strategy

2022 – 2023

Foreword

This latest Capital Strategy sets out 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.

The financial and economic outlook facing the Council is highly uncertain (see the latest version of the Medium Term Financial Strategy for more detail) and much of our focus will be to ensure that the Council remains on a sustainable financial footing. With this in mind the new Capital Plan (2022 – 2025) has a focus on the upkeep of the Borough and maintenance of our existing asset portfolio. However, our ambition for the Borough remains and it is envisaged that sigificant remaining unspent balances in the existing Capital Plan (2020 – 2023) earmarked for economic regeneration and investment in the Enterprise Zone, some £28m, will continue to be available, whilst we will also invest the resources required, both financially and in time, to ensure that we maximise the opportunity afforded by the £17m funding available through Loughborough's Town Deal.

The Council holds significant cash balances and this is an important resource which we will use proactively. We continue to look for ways to refine our treasury operations and seek to minimise our external borrowing requirement.   We believe our existing Treasury Policies remain appropriate and security and liquidity will still be the key elements of the Council's approach to treasury management. However, the financial challenges ahead, coupled with – after many years – an upward trend in interest rates place even greater importance on the continuation of our strong record in this area.

Councillor Tom Barkley

Cabinet Lead Member for Finance & Property Services

January 2022

CONTEXT

The Capital Strategy, in common with other strategies produced by the Council supports the overarching Corporate Strategy; see:

https://www.charnwood.gov.uk/files/documents/charnwood_borough_council_corporate_strategy_2020_2024/Charnwood%20Borough%20Council%20Corporate%20Strategy%202020-24%20FINAL%2027.02.20.pdf

This strategy sets out the vision for the Borough as follows:

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

In supporting this vision work is in progress on ambitious improvements in the public realm through investment in the Bedford Square area of Loughborough and plans under development for investment around Shepshed market place. A sum of £15m is set aside for regeneration investment which may complement the Loughborough Town Deal and allow investment across the Borough. There will also be continued investment across the Borough ensuring that our public realm and open spaces are maintained and enhanced to the standard that residents deserve through the regular refresh of the Capital Plans.

The Council's capital expenditure plans will support and create economic prosperity for the Borough. A training and skills hub, developed in conjunction with Loughborough College has opened following a £0.8m investment whilst an initial £2m investment in the refurbishment of buildings within the Enterprise Zone out of the total £15m fund earmarked for this purpose will bring new jobs to the area.

Enabling this vision requires the Council to be financially sustainable and the commercial investment property element within the extant capital plan (now delivered) and a more robust approach to future capital appraisals reflect this need.

The Capital Strategy shows how these expenditure plans are governed, the financing requirements they imply, the impact on revenue budgets and the method by which the Council aims to mitigate some of the risks involved in this expenditure.

CAPITAL STRATEGY (INCLUDING TREASURY MANAGEMENT)

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

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

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

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

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

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

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

1. Capital expenditure

Capitalisation policies

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.

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.

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.

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

Governance

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.

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.

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.

All schemes of £50,000 in value or greater require Capital Appraisal and all procurement and contracting must adhere to the Contract Procedure Rules. The Section 151 Officer (or 's151' – essentially a local authority's Finance Director as defined by Section 151 of the Local Government Act 1972) makes recommendations to Cabinet as to whether funding should be released to allow new schemes to be included in the Capital Plan.

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 s151 Officer.

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 s151 Officer as required by the Local Government & Housing Act 1989.

Current and new Capital Plans

The Council has a policy of preparing a three year Capital Plan, and then refreshing this every other year. In the light of the COVID-19 pandemic the extant plans were refreshed and merged to form a revised plan for the years 2020-2023. See:

https://charnwood.moderngov.co.uk/documents/g318/Public%20reports%20pack%2009th-Nov-2020%2018.30%20Council.pdf?T=10

Whilst the final year of the current Capital Plan is 2023/24 a new Capital Plan covering the financial years 2022/23 to 2024/25 has been prepared and is due for approval at the Council of 21 February 2022 alongside this Capital Strategy. There are also significant items within the current Capital Plan – principally the amounts held for Regeneration (£15m) and forward funding of the Enterprise Zone (remaining balance £13m) - which have a profile spend in 2021/22 but are highly likely to be carried forward as prospective initiatives into future years.

In summary the situation may be illustrated as follows:

(Amounts £m)	*General Fund*	*HRA*
Final year of current Capital Plan (Planned spend 2022/23)	3.8	7.7
New Capital Plan 2022 - 2025	8.9	23.3
Estimated slippage from current Capital Plan into future years	28.0	-
PROJECTED SPEND – 2022 - 2025	**40.7**	**31.0**

It should be stressed that inclusion of the above within the Capital Plan, does not imply that any of the above amounts will ultimately be expended. Further discussion of the above is set out later in this document.

Funding of the Capital Plan

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.

Prudential borrowing - In addition to the above the Council also has the ability to borrow to fund capital expenditure. At this point in time the Council has been able to finance prudential borrowing internally, taking advantage of cash flows inherent within the Council's operations (ie. cash outgoings typically lag the associated cash inflows, often by months or years). So far it has not been necessary to use external borrowing to fund General Fund capital expenditure but some level of external borrowing is likely to be required if the Council is to complete the delivery its Capital Plan within the projected timescales (and over the medium term as and when the positive cash flow position reverses).

The Council has taken out external 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.

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.

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

2. Capital Financing Requirement and borrowing

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.

Following a period of consultation the Government has now restricted access to Public Works Loan Board finance for local authorities wanting to access PWLB funding where that local authority plans to purchase commercial investment property for yield – whether or not any loan is specifically attached to an individual commercial property.

Additionally, an amendment to the 2021 version of the Prudential Code will prevent any acquisition of commercial investment property financed through borrowing.

The above changes mean that acquisition of assets purely for commercial returns is very difficult, other than at small scale such that the Council's *entire* Capital Plan could be financed by using existing reserves allocated for capital expenditure.

The Council continues to investigate investment opportunities that may have a commercial element alongside attributes supporting other Council objectives, such as regeneration, or the climate change agenda. Other than the £15m within the current Capital Plan earmarked for regeneration projects, no capital expenditure is included within either the new Capital Plan or Treasury Management Strategy for this type of opportunity. Any additional investment required would be need to be approved through updates to the extant Capital Strategy and Capital Plan in accordance with the Council's budgetary and policy framework.

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.

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

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).

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.

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 2021/22

No changes are proposed further to those introduced by the 2020/21 Capital Strategy.

4. Commercial investments

The prolonged low interest rate environment has meant that treasury management investments have not generated significant returns. Even drafting this Strategy in early 2022, as inflation increases significantly after an extended benign period, interest rate forecasts show only a modest rise in rates. The introduction of the general power of competence (arsing from the Localism Act 2011) 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, led many authorities to consider different and more innovative types of investment.

More recently, the Government became increasingly concerned about the amount of borrowing undertaken by local authorities to fund investment for purely commercial return. This has resulted in a situation where the wider powers and flexibilities made available to local authorities remain, but the ability to fund certain investments is restricted if an authority would need to borrow in order to acquire it.

Regulatory framework

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

Separately, the Ministry of Housing, Communities and Local Government 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.

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

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

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.

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.

The latter point is becoming ever more topical as the override period is due to end in just over a year. It is likely in practice that the override will be extended (otherwise certain local authorities that were otherwise financially viable may be pushed into financial difficulties). From a Charnwood perspective, there are not material issues with either the Property Funds (two funds of £2.5m) or the commercial property portfolio, even if the override ceases; but this situation will be kept under close review and the Council will consider diverting interest and rental receipts to create a provision to cover any prospective loss on investment.

The Prudential Code is published by CIPFA (the chartered accountancy body which has a public sector focus), and aims to ensure local authorities' financial plans are affordable, prudent and sustainable. A new (2021) version of this code will apply from the 2022/23 financial year, which, as noted previously, tightens the definition of commercial investment and essentially prevents borrowing to finance the acquisition of assets purely for financial return. Although published by CIPFA, the Prudential Code does carry legal weight as the underpinning government regulations require that due regard is paid to the Code.

The following paragraphs outline the approach the Council adopts to the management of its commercial property portfolio.

Commercial Investment properties

The Council has now developed a commercial investment property portfolio totalling £22.5m. As noted, previously no further investments of this type are planned pro tem.

Management of existing portfolio (including risk mitigation)

The Council's commercial investment property portfolio can be summarised as follows:

Location	*Property type*	*Gross acquisition costs (£m)*	*Annual rent*	*Remaining lease term (at Jan 2022)*
Loughborough	Car showroom	2.4	165	13 years
Banbury	Offices	7.7	540	4 years
Aberdeen	Industrial	3.6	211	9 years
Scunthorpe	Industrial	8.8	550	14 years
		22.5	**1,466**	

The 2022/23 budget for commercial property income is set at £0.65m, being a net figure that allows for charges for interest and Minimum Revenue Provision, and the creation of a property reserve that allows for possible tenant non-payment (considered a very low probablilty based on tenant due diligence performed) and prospective periods of void and dilapidation costs that may arise at the end of the lease term. An allowance is also made for additional management costs arising from the acquisitions. These elements are analysed below:

(all figures £000)	*2022/23 (Budget)*	*2023/24 (Projection)*	*2024/25 (Projection)*
Gross rent	1,466	1,466	1,466
MRP charge (40-year annuity life method)	(295)	(304)	(314)
Interest charge (based on internal borrowing)	(113)	(113)	(113)
Portfolio management charges	(50)	(50)	(50)
Contribution to reserve (balancing figure)	(358)	(349)	(339)
Net contribution to revenue budget	**650**	650	650

It may be noted that the above figures exclude net income from the Loughborough vaccination centre; such income is possible but not contractually certain, and hence excluded from the above calculation.

The figures also exclude the Loughborough skills hub situated in Loughborough. This is owned by the Council but purchased with Government grant money, and let to Loughborough College at peppercorn rent for the initial rental period of three years. Subsequently it is anticipated that the property will either generate a capital receipt or generate rentals on a commercial basis.

The total property reserve will be built up to ensure that a balance on the reserve of £1.5m is created before the first identified lease event (expiry of lease term on the Banbury property on 12 December 2025). The run rate set out above (some £0.3m+ per annum going forward) will ensure that this is achieved

Finally, it may also be noted that the commercial property portfolio will be actively managed, to minimise (inter alia) void losses and dilapidation payments.

Reporting and monitoring of the commercial property portfolio is undertaken by the Audit Committee.

Loans to local enterprises and third parties (no change in approach planned)

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

[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)

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 2022/23 – 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

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 (no change in approach planned)

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 creation of a Property Development Company (probably with a housing focus) remains a possible course of action for the Council. 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 2022/23 - 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: Loughborough has secured funding of £17m 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:

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

STRATEGY FOR 2022/23 - 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 carried forward into 2022/23 and future years of the Capital Plan 2020-23 (subject to approval by Council). This is in addition to earmarked funding for specific projects such as Bedford Square

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

Investment in 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 2021/22 - INVESTMENT IN THE ENTERPRISE ZONE

An amount of £15m to forward fund investment in the Enterprise Zone (EZ) has been created. To date £2m has been allocated and the £13m balance will be carried forward into 2022/23 and future years of the Capital Plan 2020-23 (subject to approval by Council).

This total amount was profiled for the 2020/21 financial year to ensure there is no impediment to investment opportunities but in practice it is likely that £2m will be allocated in this year, with the balance to be reprofiled in future years as appropriate.

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[4].

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

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

[4] This is subject to compliance with the new Prudential Code; technical interpretation of relevant sections is still in progress

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

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.

1.2. 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

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

2022/23

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 economic any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

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

CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft TMSS/AIS reports in 2022/23, full implementation would be required for 2023/24.

It should also be noted by English authorities that the DLUHC is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

However, this does not mean that local authorities may not currently have the legal powers to undertake such capital expenditure despite such guidance and regulation.

The DLUHC is also conducting a consultation on amending MRP rules for England.

The CIPFA 2017 Prudential and Treasury Management Codes requires as from 2021/22 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.

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 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- Capital expenditure 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 Group 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.

2. THE CAPITAL PRUDENTIAL INDICATORS 2022/23-2024/25

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	***2021/22 Budget Estimate £'000***	***Actual Spend 31/12/2021 £'000***	***2022/23 Budget Estimate £'000***	***2023/24 Budget Estimate £'000***	***2024/25 Budget Estimate £'000***
General Fund - general	10,697	4,484	4,330	2,991	1,580
Enterprise Zone	15,000	2,000	0	0	0
Regeneration	15,000	0	0	0	0
HRA	9,620	3,052	8,874	7,530	6,519
Total	**50,317**	**9,536**	**13,204**	**10,521**	**8,099**

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	***2021/22 Budget Estimate £'000***	***2022/23 Budget Estimate £'000***	***2023/24 Budget Estimate £'000***	***2024/25 Budget Estimate £'000***
Total Capital Expenditure as per above table	**50,317**	**13,204**	**10,521**	**8,099**
Financed by:				
GF Revenue Contributions	15	0	0	0
GF Capital receipts	5,246	760	1,433	453
GF Capital Grants	5,236	3,570	1,558	1,127
GF Capital Plan Reserves	200	0	0	0
HRA Revenue Contributions	8,315	8,424	7,081	6,069
HRA Capital Receipts	1,305	450	449	450
Internal /External Borrowing	30,000	0	0	0
Total Funding	**50,317**	**13,204**	**10,521**	**8,099**

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, 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 current (updated) Capital Plan (which was approved by Council 24th February 2020) and the main body of the Capital Strategy report, and comprise:

- 50% funding of the Environmental Services fleet in 2020/21 (£2.4m)
- Creation of a fund to purchase Commercial Property (£25m), which were all purchased in 2020/21. No further Commercial activities are planned beyond this date.
- Creation of a Regeneration fund to take advantage of opportunities arising from the Town Deal, and others that may arise; £15m.
- Creation of a £15m fund – to enable forward funding within the Enterprise Zone (to be repaid through business rates generated)

(In practice expenditure under the latter two headings may fall into later periods but the presentation assumes the earliest possible spend)

Capital Financing Requirement	***2021/22 Budget Estimate £'000***	***2022/23 Budget Estimate £'000***	***2023/24 Budget Estimate £'000***	***2024/25 Budget Estimate £'000***
CFR – (Fleet Less MRP)	2,100	1,800	1,500	1,200
CFR – (Commercial Activities Less MRP)	22,215	21,921	21,617	21,304
CFR – (Regeneration Less MRP)	15,000	14,810	14,614	14,412
CFR – (Enterprise Zone No MRP)	15,000	15,000	15,000	15,000
CFR – (HRA – No MRP)	81,820	81,820	81,820	81,820
Total CFR	**136,135**	**135,351**	**134,551**	**133,736**
Movement in CFR represented				
Net financing need for the year	7,500	0	0	0
Less MRP/VRP and other financing movements	(585)	(784)	(800)	(815)
Movement in CFR	**6,915**	**(784)**	**(800)**	**(815)**

2.3 Core Funds and Expected investment balances

The application of resources (Capital Plan Reserves, Capital Receipts, HRA Major Repair Reserve, HRA Financing Fund) 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.

Year End Resources £m	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Plan Reserves	2,433	1,763	1,763	1,763	1,763
Capital Receipts 1-4-1	9,863	5,895	6,299	6,031	6,742
Other Capital Receipts	0	1,162	1,000	0	0
HRA MRR	3,210	3,210	3,210	3,210	3,210
HRA Financing Fund	11,630	9,682	9,682	9,682	9,682
Total core funds	**27,136**	**21,712**	**21,954**	**20,686**	**21,397**

The current Capital Plan runs through to 31 March 2023, in addition a new three Year Capital Plan 2022/23 – 2024/25 will be reported to Cabinet 10th February 2022. Funding for both plans are tabled 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 2021 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 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 2022/23 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.

	2021/22 Estimate £'000	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
External Debt at 1 April	81,190	111,190	111,190	111,190
Expected change in Debt	30,000	0	0	0
Actual debt at 31 March	**111,190**	**111,190**	**111,190**	**111,190**
Capital Financing Requirement above 2.2	136,135	135,351	134,551	133,736
Under borrowing	**24,945**	**24,161**	**23,361**	**22,546**

The table shows that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future.
Capital Plan, 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. The above projections are consistent with the current Capital Plan and the new 3 year Capital plan.

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	***2020/21 Actual £'000***	***2021/22 Estimate £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***
Debt	81,190	108,090	108,090	108,090
Non-financial investments	0	28,000	28,000	28,000
Total	**81,190**	**136,090**	**136,090**	**136,090**

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 limits (as shown in the table below) has been set based on the current capital expenditure and funding plans within the Capital Strategy, which is the same as lasts years limits.

The authorised limits are in line with the Capital Strategy is approved by Council):

Authorised limit	***2019/20 Actual £'000***	***2021/22 Estimate £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***
Debt	96,000	130,000	130,000	130,000
Non-financial investments	0	28,000	28,000	28,000
Total	**96,000**	**158,000**	**158,000**	**158,000**

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

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts 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.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields
Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant <u>UPWARD RISK</u> exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December**

meeting it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

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

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing
– a fundamental shift in central bank monetary policy
One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going <u>above</u> a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***<u>For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.</u>***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

3.4 Investment and Borrowing Rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

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 2022/23 treasury operations. The Council will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances both internally and externally.

The Council's investments in commercial property in the short to medium term has used internal borrowing as the Council has been able to utilise its cash balances as an alternative to external borrowing. 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 and the low investment rate returns.

- **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.

The Council currently has one long term market debt of £2m which matures in June 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.
Once this has loan has matured then a revenue Income stream of £232.5k PA will be available to support the General Fund budget.

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 B (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 limit is £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. a result of the change in accounting standards for 2020/21 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 to 31st March 2023)

    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.

Creditworthiness.

Creditworthiness.
Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

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

<u>In-house funds</u> - 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, 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 returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

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	2022/23	2023/24	2024/25
Principal sums invested >365 days	£30m	£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 B

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 5th January 2022

B (7). Treasury management scheme of delegation

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

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

  See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

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:

$\underline{A - B}$

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

APPENDIX (B3)

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

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

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

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	Unlimited	6 months
UK Government gilts	UK sovereign rating	Unlimited	12 months
UK Government Treasury bills	UK sovereign rating	Unlimited	12 months
Bonds issued by multilateral development banks	AAA	Unlimited	6 months
Money Market Funds (CNAV, LVAV & VNAV)	AAA	£12m 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 and £12m in total	Up to 12 months
	Orange	£8m & (£18m 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.

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 @ 5/1/2022

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

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

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France

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

List of Approved Brokers for Investments

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

King and Shaxson

Tradition (UK) Ltd

RP Martin

Link Asset Services Agency Treasury Service

APPENDIX B (6)

Current Investments as at 5th January 2022 (for information only).

For illustrative purposes only the Council's investments as at 5th January 2022 are set out below. Please note that these investments alter on a daily basis.

Institution	**Colour**	**Amount invested £m**	**Transaction Limit £m**	**Maturity Date**	**MaxTime Limit**
Close Brothers	Red	2,000	8,000	28/1/2022	6 Months
Standard Chartered Bank	Red	3,000	8,000	14/04/2022	6 Months
Standard chartered Bank	Red	3,000	8,000	27/05/200	6 Months
Santander	Red	8,000	8,000	180 Day Notice	6 Months
Goldman Sachs international Bank	Red	2,500	8,000	35 Day Notice	6 Months
Goldman Sachs international Bank	Red	2,500	8,000	95 Day Notice	6 Months
HSBC Bank	Orange	8,000	18,000	31 Day Notice	12 months
HSBC Bank	Orange	5,450	18,000	07/01/2022	12 Months
Money Market Funds	AAA Rated	21,330	30,000 in total	1 Day	12 Months
Property Funds	N/A	5,000	5,000 in total	N/A	20 Years
TOTAL		**60,780**			

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.

APPENDIX B(8)

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

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

COUNCIL – 21ST FEBRUARY 2022

Report of the Cabinet

ITEM 6.3 NEW CAPITAL PLAN 2022/23 TO 2024/25

Purpose of Report

To seek approval of a new Capital Plan 2022/23 to 2024/25 and sources of funding.

Recommendation

That the Final 3 Year Capital Plan for 2022/23 to 2024/25 for the General Fund and HRA schemes in Appendix 1 of the report (attached as an Annex) be endorsed.

Reason

So that the Final 3 Year Capital Plan becomes the basis for Capital spending by the Council for 2022/23 to 2024/25.

Policy Justification and Previous Decisions

Policy justification detailed in the attached Annex.

At its meeting on 10th February 2022, Cabinet considered a report of the Head of Financial Services proposing a new Capital Plan 2022/23 to 2024/25 and sources of funding, for recommendation to Council. That report is attached as an Annex. The following minute extract details Cabinet's consideration:

81. *NEW CAPITAL PLAN (2022-23 TO 2024-25)*

Considered, a report of the Head of Financial Services to consider a new Capital Plan 2022/23 to 2024/25 and sources of funding, for recommendation to Council (item 9 on the agenda filed with these minutes).

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

RESOLVED *that the Final 3 Year Capital Plan for 2022/23 to 2024/25 for the General Fund and HRA schemes in Appendix 1 of the report be endorsed,* ***for Council approval*** *on 21st February 2022.*

Reason

So that the Final 3 Year Capital Plan becomes the basis for Capital spending by the Council for 2022/23 to 2024/25.

Implementation Timetable including Future Decisions and Scrutiny

As detailed in the attached Annex.

Report Implications

As detailed in the attached Annex.

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

ANNEX

CABINET – 10TH FEBRUARY 2022

Report of the Head of Financial Services

Lead Member: Councillor Tom Barkley

Part A

ITEM FINAL 3 YEAR CAPITAL PLAN 2022/23 TO 2024/25

Purpose of Report

To consider the Final 3 Year Capital Plan 2022/23 to 2024/25 as well as possible sources of funding and to begin a period of consultation.

Recommendation

That Cabinet endorses the Final 3 Year Capital Plan for 2022/23 to 2024/25 for the General Fund and HRA schemes in Appendix 1, for Council approval on the 21st February 2022.

Reason

That the Final 3 Year Capital Plan becomes the basis for Capital spending by the Council for 2022/23 to 2024/25.

Policy Justification

The Council's Capital Plan is an integral element of all policies.

Implementation Timetable including Future Decisions and Scrutiny

The final 3 year Capital Plan will be submitted to Council on 21 February 2022 for approval. The new Capital Plan will come into effect on 1 April 2022. Any changes to the Plan will then be considered by Cabinet, and Council if necessary, as part of the Capital Plan Amendment process.

A consulation process has been undertaken with the following parties, and there is no further recommendations.

- Trades Unions
- Formal consultation with key partners, including members of Charnwood Together, Towns and Parishes
- Budget Scrutiny Panel

Report Implications

The following implications have been identified for this report.

Financial Implications

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

Risk Management

There are no specific risks associated with the decision Cabinet is being asked to make. However, Part B of the report identifies risks associated with the eventual adoption of the new Capital Plan.

Equality and Diversity

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

Sustainability

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

Key Decision:	Yes
Background Documents:	None
Officers to Contact:	Lesley Tansey, 01509 634848 lesley.tansey@charnwood.gov.uk

Part B

Background

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

2. These schemes were considered by SLT, and from this appraisal process a New 3 Year Capital Plan for 2022/23 to 2024/25 was produced for the General Fund and HRA included in Appendix 1 .

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

New 3 Year Capital Plan 2022/23 to 2024/25

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

Table 1

	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000
General Fund New 3 Year Plan				
Gross Cost of Schemes	4,330	2,991	1,580	8,901
Total Cost	**4,330**	**2,991**	**1,580**	**8,901**
External Funding	3,570	1,558	1,127	6,255
CBC Capital Receipts	760	1,433	453	2,646
Total Funding	**4,330**	**2,991**	**1,580**	**8,901**

5. The Capital Plan distinguishes between various types of scheme:

- 'Live' schemes: schemes classified as 'live' are usually project managed by the Council and preliminary evaluation has been carried out such that the costs within the Capital Plan should be a reasonable estimate of scheme outturn
- 'Provisional' schemes: these are where the Council wishes to make a statement of intent that it intends to deliver a scheme but where the detailed timings and / or costings of that scheme remain uncertain. The scheme may stil require further feasibility work or be subject to external funding bids. It is also worth noting that final costs can not be determined until the completion of a procurement process and market prices have been received.
- 'Third Party' schemes: third party schemes are schemes, usually associated with s106 agreements, where the scheme must be included within the Council's Capital Plan for technical reasons but where the Council does not undertake project management and would not usually provide project funding (no such schemes are included within the new Capital Plan)
- The New Capital Plan Schemes are set out in more detail in Appendix 1. Significant additions, all classified as 'Committed' within the new General Fund Plan include:

- Town Deal: a total of £3.54m has been identified for two elements of the Town Deal (Lanes & Links, and Living Loughborough); projects that will require significant Council management input where it is assumed that the Council will have responsibility for project delivery; funding of up to £3.54m will be available through Town Deal funding but any additional costs would need to be sourced elsewhere

- Shepshed Bullring: £0.9m has been allocated within the new Capital Plan for this public realm project; given the risks inherent with this type of scheme preliminary work will be required to assess the adequacy of the current capital allocation with any required variations being addressed via the regular capital pla amendment reports
- Building improvements: £1.48m has been allocated towards the upgrade of Council assets; this amount is estimated but underpinned by building condition surveys

5. Table 1 shows total proposed schemes of £8.9m requiring council capital receipts funding of £2.6m, and external funding of £6.3m. As at 31 March 2025 there will be approximately £6.1m capital receipts estimated in balances, therefore the draft three year Capital plan is affordable from current resources. This assumes that the estimates include no major capital receipts during the next three years of the plan as there are currently no disposals on the of Council assets. It should be noted that the costs shown above are estimates made by the relevant services and do not reflect firm quotes or tender prices.

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

7. There is £2.2m in the Capital Plan Reserve estimated as at 31 March 2022, this can be used for either Capital or Revenue one-off expenditure.

Table 2

	2022/23	2023/24	2024/25	TOTAL
	£'000	**£'000**	**£'000**	**£'000**
<u>Housing Revenue Account</u>				
Gross Cost HRA Schemes	8,874	7,530	6,519	22,923
Total Cost	**8,874**	**7,530**	**6,519**	**22,923**
RCCO	3,169	3,169	3,169	9,507
Capital Receipts	450	450	450	1,350
Major Repairs Reserve/HRA Finance Fund	5,255	3,911	2,900	12,406
Total Funding	**8,874**	**7,530**	**6,519**	**22,923**

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

9. The Major Repairs Reserve, or equivalent, effectively represents the amount set aside for depreciation each year and this becomes a cash amount that will be spent on capital works. The Housing Revenue Account report shows that in 2022/23 the depreciation budget is £3,641k and the RCCO budget is £3,169k. It can be reasonably assumed that these levels will continue for 2022/23 and 2024/25 so the plan is fully funded.

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

<u>Capital Plan 2020 -2023</u>

11. The Council's policy is to create a new Capital Plan every other year, for a three-year period. As a result, the 2022/23 financial year will include schemes from both the current (2020 – 2023) and proposed (2022 – 2025) Capital Plans. To get a full view of all current and proposed schemes Appendix 2, which lists schemes within the extant Capital Plan should be considered alongside the new proposals.

12. It may also be noted a regular Capital Plan amendment report is also being present at the 9 December Cabinet which offers additional information on the current Capital Plan.

Prudential Code

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

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

15. 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 any apparent shortfalls are brought to the attention of Cabinet with suggested solutions
General Risks associated with capital expenditure	Unlikely (2)	Serious (3)	Moderate (6)	The Capital Plan is controlled through Capital Monitoring &

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
				Senior Leader Team and Cabinet.

Appendices

Appendix 1 List of Capital Plan schemes are attached.

Appendix 2 Extant schemes; current capital Plan 2020 - 2023

New 3 Year Capital Plan 2022/23 - 2024/25 | Appendix 1

Scheme Details			2022/23 New & Current Plan £	2023/24 New Original Plan £	2024/25 New Original Plan £
SUMMARY OF CAPITAL PLAN					
Live Schemes					
Environmental and Corporate Services			**150,000**	**75,000**	**75,000**
Commercial Development, Asset and Leisure			**610,000**	**750,000**	**120,000**
Community, Planning and Housing - General Fund			**0**	**1,216,000**	**1,316,000**
Community, Planning and Housing - HRA			**8,874,400**	**7,529,600**	**6,519,000**
Sub-total Live Schemes			**9,634,400**	**9,570,600**	**8,030,000**
Committed Schemes					
Commercial Development, Asset and Leisure			**2,970,000**	**500,000**	**69,000**
Community, Planning and Housing - General Fund			**600,000**	**450,000**	**0**
Sub-total Committed Schemes			**3,570,000**	**950,000**	**69,000**
GF Total			**4,330,000**	**2,991,000**	**1,580,000**
HRA Total			**8,874,400**	**7,529,600**	**6,519,000**
Grand Total			**13,204,400**	**10,520,600**	**8,099,000**
Environmental and Corporate Services					
Live Schemes					
AK	Z085	Replacement Hardware Programme - Block Sum	0	45,000	45,000
AK	Z354	Infrastructure Development - Block Sum	0	30,000	30,000
AK	NEW	Phone System - Migration to Teams	45,000	0	0
MB	NEW	Cemetery Ashes Plots	40,000	0	0
MB	NEW	Cemetery Gates	15,000	0	0
MB	NEW	Syston Riverside Walk	50,000	0	0
Sub-total Live Schemes			**150,000**	**75,000**	**75,000**
Environmental and Corporate Services - Total			**150,000**	**75,000**	**75,000**
Commercial Development, Asset and Leisure					
Live Schemes					
IB	Z310	Planned Building Improvements	610,000	750,000	120,000
Sub-total Live Schemes			**610,000**	**750,000**	**120,000**
Committed Schemes					
SW	NEW	Town Deal	2,970,000	500,000	69,000
Sub-total Committed Schemes			**2,970,000**	**500,000**	**69,000**
Commercial Development, Asset and Leisure - Total			**3,580,000**	**1,250,000**	**189,000**
Community, Planning and Housing - General Fund					

Live Schemes					
JR	Z388	CCTV	0	45,000	45,000
JR	Z348	Charnwood Community Facilities Grants	0	50,000	50,000
JR	Z427	Members Grants - Members Choice	0	13,000	13,000
AT	Z786	Car Parks Resurfacing and Improvements	0	0	150,000
AT	NEW	Leisure Centre barrier and entry control	0	50,000	0
RS	Z210	Disabled Facilities Grants - Block Sum	0	1,058,000	1,058,000
		Sub-total Live Schemes	**0**	**1,216,000**	**1,316,000**
Committed Schemes					
RB	Z835	Shepshed Public Realm	600,000	300,000	0
AT	NEW	DNO Connections and Electric Vehicle Charge Points for car parks	0	150,000	0
		Sub-total Committed Schemes	**600,000**	**450,000**	**0**
Third Party Schemes					
		Community, Planning and Housing - General Fund - Total	**600,000**	**1,666,000**	**1,316,000**
Community, Planning and Housing - HRA					
Live Schemes					
PO	Z761	Major Adaptations	450,000	450,000	450,000
PO	Z301	Minor Adaptations	50,000	50,000	50,000
PO	Z302	Stairlifts	60,000	60,000	60,000
PO	Z762	Major Voids	280,000	280,000	280,000
		Compliance			
PO	Z434	Asbestos Removal	150,000	100,000	60,000
PO	Z771	Communal Area Improvements	200,000	75,200	75,200
PO	Z742	Communal Area Electrical Upgrades	200,000	68,000	68,000
PO	Z772	Smoke/CO & Heat Detection	149,800	149,800	149,800
PO	Z773	Fire Safety Works	100,000	100,000	100,000
		Stock Maximisation			
PO	Z375	Garages	25,000	370,000	0
		Decent Homes			
PO	Z763	Kitchens	900,000	837,000	112,500
PO	Z764	Bathrooms	1,778,100	957,700	675,000
PO	Z765	Electrical Upgrades	212,500	505,300	505,300
PO	Z766	Window Replacement	22,400	44,800	223,800
PO	Z767	Heating	264,600	504,000	831,600
PO	Z743	Sheltered Housing Improvements	200,000	100,000	0
PO	Z768	Door Replacement	700,000	700,000	700,000
PO	Z769	Roofing Works & Insulation	650,000	250,000	250,000
PO	Z770	Major Structural Works	250,000	250,000	250,000
		General Capital Works			
PO	Z776	Estate and External Works	205,000	200,000	200,000
PO	Z857	Housing Capital Technical Costs	312,000	312,000	312,000
PO	Z378	Door Entry Systems	200,000	27,000	27,000
AS	Z760	Acquisition of Affordable Housing to meet housing need	1,500,000	1,123,800	1,123,800
PO	Z775	Mobility Scooter Storage	15,000	15,000	15,000
		Sub-total Live Schemes	**8,874,400**	**7,529,600**	**6,519,000**
		Community, Planning and Housing - HRA - Total	**8,874,400**	**7,529,600**	**6,519,000**

CAPITAL PLAN 2021/22

Scheme Details			2021/22 Current Budget £	2021/22 Actual Spend 31/12/21 £	2021/22 Balance £	2022/23 Original Plan £	2022/23 Current Budget £
SUMMARY OF CAPITAL PLAN							
Live Schemes							
Environmental and Corporate Services			**2,308,800**	**1,266,194**	**1,042,606**	**390,000**	**326,200**
Commercial Development, Asset and Leisure			**343,000**	**154,068**	**188,932**	**500,000**	**475,000**
Community, Planning and Housing - General Fund			**2,667,200**	**278,300**	**2,373,045**	**1,224,000**	**1,244,000**
Community, Planning and Housing - HRA			**9,898,600**	**2,646,920**	**7,251,680**	**7,723,800**	**7,723,800**
Sub-total Live Schemes			**15,217,600**	**4,345,482**	**10,856,263**	**9,837,800**	**9,769,000**
Provisional Schemes							
Environmental and Corporate Services			**15,000,000**	**2,000,000**	**13,000,000**	**0**	**0**
Commercial Development, Asset and Leisure			**15,000,000**	**(4,516)**	**15,004,516**	**0**	**0**
Community, Planning and Housing - General Fund			**3,831,400**	**1,588,550**	**2,242,850**	**500,000**	**1,715,000**
Community, Planning and Housing - HRA			**0**	**0**	**0**	**0**	**0**
Sub-total Provisional Schemes			**33,831,400**	**3,584,034**	**30,247,366**	**500,000**	**1,715,000**
Third Party Schemes							
Environmental and Corporate Services			**379,400**	**40,500**	**338,900**	**113,000**	**53,600**
Commercial Development, Asset and Leisure			**0**	**0**	**0**	**0**	**0**
Community, Planning and Housing - General Fund			**888,500**	**207,640**	**680,860**	**0**	**0**
Community, Planning and Housing - HRA			**0**	**0**	**0**	**0**	**0**
Sub-total Third Party Schemes			**1,267,900**	**248,140**	**1,019,760**	**113,000**	**53,600**
GF Total			**40,418,300**	**5,530,736**	**34,871,709**	**2,727,000**	**3,813,800**
HRA Total			**9,898,600**	**2,646,920**	**7,251,680**	**7,723,800**	**7,723,800**
Grand Total			**50,316,900**	**8,177,656**	**42,123,389**	**10,450,800**	**11,537,600**
Environmental and Corporate Services							
Live Schemes							
MB	Z739	Green Spaces Programme	0	205	(205)	0	0
MB	Z784	Loughborough Cemetery - New Burial Provision	1,170,200	921,223	248,977	0	0
MB	Z753	The Outwoods Country Park - Septic tank system replacement	0	233	(233)	0	0
MB	Z754	The Outwoods Country Park - Visitor Centre and Café	114,200	110,706	3,494	0	0
MB	Z790	Environmental Services - Fleet Purchase	0	(15,744)	15,744	0	0
MB	Z831	Loughborough Playground Improvement Plan	50,000	0	50,000	50,000	50,000
MB	Z828	Queens Park - Improvements to Childrens Play Provision & Adult Recreation Provision	100,000	0	100,000	105,000	105,000
MB	Z802	Allotment Improvements	10,000	0	10,000	0	0
MB	Z824	Shepshed POS Enhacement	104,100	1,611	102,489	0	0
MB	Z805	Queens Park Aviary Improvements	20,000	0	20,000	0	0
MB	Z806	Playing Pitch Strategy Action Plan	51,900	(5,866)	57,766	140,000	40,000
MB	Z484	Closed Churchyard Wall	25,000	41,901	(16,901)	0	25,000
MB		Lodge Farm Public Open Space Enhancements	0	0	0	0	31,200
MB	Z808	Park Road Access Resurfacing	0	663	(663)	0	0
MB	Z809	Delivery of Open Space Strategy	0	0	0	20,000	0
MB	Z791	Shelthorpe Golf Course - Fencing	77,100	0	77,100	0	0
MB	Z792	Community Tree Planting Programme	30,000	4,400	25,600	0	0
AK	Z085	Replacement Hardware Programme - Block Sum	39,600	40,240	(640)	45,000	45,000
AK	Z354	Infrastructure Development - Block Sum	36,000	(2,178)	38,178	30,000	30,000
AK	Z822	Hybrid Council Meeting - Camera and audio equipment - Virtual Meetings	15,900	12,011	3,889	0	0
KB	Z423	Call Secure System - PCI Compliance	4,900	728	4,172	0	0
KB	Z812	Server Redesign	70,000	0	70,000	0	0
KB	Z813	Cloud Implementation	177,900	50,492	127,408	0	0
KB	Z814	Meeting Rooms - presentation screens	4,100	4,063	37	0	0
KB	Z816	Northgate - Single Use System	115,300	79,539	35,761	0	0
AW	Z811	Legal Case Management System	30,000	0	30,000	0	0
LT	Z810	Unit4 Agresso Upgrade	32,800	0	32,800	0	0
AK	Z793	ITrent Upgrade & New Flexi Time System	8,700	16,231	(7,531)	0	0
HG	Z823	Performance Management System	21,100	5,736	15,364	0	0
Sub-total Live Schemes			**2,308,800**	**1,266,194**	**1,042,606**	**390,000**	**326,200**
Provisional Schemes							

CAPITAL PLAN 2021/22

Scheme Details			2021/22 Current Budget £	2021/22 Actual Spend 31/12/21 £	2021/22 Balance £	2022/23 Original Plan £	2022/23 Current Budget £
SJ	Z818	Enterprise Zone	15,000,000	2,000,000	13,000,000	0	0
		Sub-total Provisional Schemes	**15,000,000**	**2,000,000**	**13,000,000**	**0**	**0**
Third Party Schemes							
JT	Z697	Bell Foundry Pocket Park - Phase 1 & 2	30,300	5,154	25,146	0	0
MB		Farnham Road Public Open Space Improvements	0	0	0	113,000	0
MB	Z699	Shelthorpe Public Open Space Enhancements	113,200	1,537	111,663	0	0
MB	Z830	Holt Drive PA Enhancements	11,000	0	11,000	0	0
MB		Radmoor Road Public Open Space Enhancements	0	0	0	0	53,600
MB	Z778	Syston Community Garden	22,300	0	22,300	0	0
MB	Z826	Wymeswold Parish Council - tarmac court with multi-use goal ends at the Washdyke	22,800	22,809	(9)	0	0
MB	Z847	Barrow Town Cricket Club - extend clubhouse facilities, creating additional changing and ancillary provision	20,000	11,000	9,000	0	0
MB	Z849	Barrow Town Council - new play area Mill Lane	89,100	0	89,100	0	0
MB	Z850	Sileby Parish Council - improvement and provision of additional youth/adult facilities at Sileby Memorial Park	70,700	0	70,700	0	0
		Sub-total Third Party Schemes	**379,400**	**40,500**	**338,900**	**113,000**	**53,600**
		Environmental and Corporate Services - Total	**17,688,200**	**3,306,694**	**14,381,506**	**503,000**	**379,800**
Commercial Development, Asset and Leisure							
Live Schemes							
SW	Z801	Lighting strategy to support the Masterplan lane strategy - feasiblity study	10,000	0	10,000	0	0
NB	Z748	Loughborough Festive Lights and Street Dressing	4,800	0	4,800	0	0
SW	Z757	Town Hall Roof Upgrade	17,300	55	17,245	0	0
SW	Z797	Loughborough Town Hall - Lower Level Elevation Repairs & Feasibilty Study	7,900	5,905	1,995	0	0
SW	Z798	Town Hall - Victorial Room - Air Handling	50,000	0	50,000	0	0
SW	Z799	Town Hall - additional seating	0	0	0	0	225,000
IB	Z310	Planned Building Improvements	128,000	118,972	9,028	500,000	100,000
IB	Z821	Granby Street Culvert Repairs	75,000	28,766	46,234	0	0
JH	Z820	Southfields Offices - NHS Vaccination Centre	50,000	370	49,630	0	0
JH	Z832	Feasibility Work - New Council Offices	0	0	0	0	150,000
		Sub-total Live Schemes	**343,000**	**154,068**	**188,932**	**500,000**	**475,000**
Provisional Schemes							
JH	Z676	Commercial Property Investment Portfolio	0	(1,521)	1,521	0	0
JH	Z817	Regeneration Projects	15,000,000	(2,995)	15,002,995	0	0
		Sub-total Provisional Schemes	**15,000,000**	**(4,516)**	**15,004,516**	**0**	**0**
		Commercial Development, Asset and Leisure - Total	**15,343,000**	**149,552**	**15,193,448**	**500,000**	**475,000**
Community, Planning and Housing - General Fund							
Live Schemes							
JR	Z388	CCTV	122,300	20,739	101,561	45,000	35,000
JR	Z348	Charnwood Community Facilities Grants	100,300	5,400	94,900	20,000	50,000
JR	Z427	Members Grants - Members Choice	13,000	8,762	4,238	26,000	26,000
AT	Z744	Beehive Lane Car Park Improvements and refurbishment scheme	149,400	9,648	139,752	0	0
AT	Z786	Car Parks Resurfacing and Improvements	32,800	0	32,800	0	0
IB	Z738	Carbon Management Schemes	7,500	(1,857)	9,357	0	0
RS	Z210	Disabled Facilities Grants - Block Sum	2,116,900	225,471	1,891,429	1,058,000	1,058,000
RS	Z346	Private Sector Housing Grants - Block Sum	125,000	25,992	99,008	75,000	75,000
AS	Z424	Choice Based Lettings Software	0	(15,855)	15,855	0	0
		Sub-total Live Schemes	**2,667,200**	**278,300**	**2,373,045**	**1,224,000**	**1,244,000**
Provisional Schemes							

CAPITAL PLAN 2021/22

Scheme Details			2021/22 Current Budget £	2021/22 Actual Spend 31/12/21 £	2021/22 Balance £	2022/23 Original Plan £	2022/23 Current Budget £
RB	Z367	Bleach Yard	5,900	3,397	2,503	0	0
RB	Z787	Bedford Square Gateway	2,654,000	1,562,067	1,091,933	0	1,215,000
CC	Z796	Carbon Neutral Action Fund - Block Sum	598,800	3,700	595,100	500,000	500,000
RB	Z835	Shepshed Bull Ring	504,400	0	504,400	0	0
RB	Z396	Public Realm - Shepshed Town Centre	18,400	19,386	(986)	0	0
RS	Z141	Regional Housing Pot Grant	42,900	0	42,900	0	0
RS	Z363	Fuel Poverty Scheme	7,000	0	7,000	0	0
		Sub-total Provisional Schemes	**3,831,400**	**1,588,550**	**2,242,850**	**500,000**	**1,715,000**
Third Party Schemes							
JR	Z488	Thorpe Acre Residents Association - contribution towards Community Hub building	25,900	0	25,900	0	0
JR	Z500	Birstall Cedars Academy all weather pitch	50,000	0	50,000	0	0
JR	Z795	Syston Town Council - redevelopment of sports pavilion at Memorial Park	40,500	0	40,500	0	0
JR	Z815	Rothley Parish Council - upgrade Rothley Centre	367,600	11,524	356,076	0	0
JR	Z825	Loughborough Police Station Centre - Front Enquiry Desk	236,700	137,485	99,215	0	0
JR	Z827	Leicestershire Police - Drone Equipment and Forensic Hub Upgrade	58,600	58,631	(31)	0	0
JR	Z848	Syston Town Council - Memorial Park - redevelopment of sports pavilion	25,000	0	25,000	0	0
RB	Z852	Shepshed Town Council - Skate Bowl, Oak Road Playing Fields	84,200	0	84,200	0	0
		Sub-total Third Party Schemes	**888,500**	**207,640**	**680,860**	**0**	**0**
		Community, Planning and Housing - General Fund - Total	**7,387,100**	**2,074,490**	**5,296,755**	**1,724,000**	**2,959,000**
Community, Planning and Housing - HRA							
Live Schemes							
PO	Z761	Major Adaptations	580,000	105,252	474,748	450,000	450,000
PO	Z301	Minor Adaptations	50,000	5,279	44,721	50,000	50,000
PO	Z302	Stairlifts	80,000	72,156	7,844	80,000	80,000
PO	Z762	Major Voids	280,000	0	280,000	280,000	280,000
		Compliance					
PO	Z434	Asbestos Removal	150,000	211,536	(61,536)	150,000	150,000
PO	Z771	Communal Area Improvements	200,000	19,403	180,597	200,000	200,000
PO	Z742	Communal Area Electrical Upgrades	200,000	1,335	198,665	200,000	200,000
PO	Z772	Smoke/CO & Heat Detection	30,000	12,778	17,222	30,000	30,000
PO	Z773	Fire Safety Works	100,000	136,468	(36,468)	100,000	100,000
PO	Z374	CO Monitors	0	378	(378)	0	0
		Stock Maximisation					
PO	Z375	Garages	25,000	0	25,000	25,000	25,000
		Decent Homes					
PO	Z763	Kitchens	805,500	(24,007)	829,507	598,500	598,500
PO	Z764	Bathrooms	787,800	53,655	734,145	1,186,600	1,186,600
PO	Z765	Electrical Upgrades	290,000	207	289,793	290,000	290,000
PO	Z766	Window Replacement	195,000	4,030	190,970	40,000	40,000
PO	Z767	Heating	331,200	77,204	253,996	411,700	411,700
PO	Z743	Sheltered Housing Improvements	200,000	228,727	(28,727)	200,000	200,000
PO	Z768	Door Replacement	360,000	86,232	273,768	300,000	300,000
PO	Z769	Roofing Works & Insulation	710,000	128,127	581,873	650,000	650,000
PO	Z770	Major Structural Works	250,000	35,062	214,938	250,000	250,000
		General Capital Works					
PO	Z776	Estate and External Works	205,000	(146,053)	351,053	205,000	205,000
PO	Z857	Housing Capital Technical Costs	312,000	0	312,000	312,000	312,000
PO	Z378	Door Entry Systems	200,000	4,531	195,469	200,000	200,000
AS	Z760	Acquisition of Affordable Housing to meet housing need	3,263,400	1,358,420	1,904,980	1,500,000	1,500,000
AS	Z851	Acquisition of Dwellings - S106	278,700	276,200	2,500	0	0
PO	Z775	Mobility Scooter Storage	15,000	0	15,000	15,000	15,000
		Sub-total Live Schemes	**9,898,600**	**2,646,920**	**7,251,680**	**7,723,800**	**7,723,800**
		Community, Planning and Housing - HRA - Total	**9,898,600**	**2,646,920**	**7,251,680**	**7,723,800**	**7,723,800**

COUNCIL – 21st FEBRUARY 2022

Report of the Chief Executive

ITEM 6.4 REPORT OF THE INDEPENDENT REMUNERATION PANEL IN RESPECT OF ALLOWANCES PAID TO MEMBERS OF CHARNWOOD BOROUGH COUNCIL FOR 2022/23

Purpose of Report

To consider the findings and the recommendations of the Independent Remuneration Panel in respect of allowances paid to members of Charnwood Borough Council (attached as Appendix A) and the Scheme of Members' Allowances for 2022/23 (attached as Appendix B).

Recommendation

That Council considers the recommendations of the Independent Remuneration Panel, submitted in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 as set out in Appendix A, and agrees:

(a) that amendments in allowances should be linked to an index based on officer pay awards as follows: amendments in basic allowances be linked to any pay awards for officer salary grade PO1 (Principal Officer) and any amendments to special responsibility allowances be linked to any pay awards for officer salary grade JNC E (Strategic Director);

(b) that any agreed pay awards for those officer salary grades be applied to the corresponding basic and special responsibility allowances as from the same effective date;

(c) that delegated authority be given to the Head of Strategic Support to implement any adjustments in basic and special responsibility allowances once the relevant officers' pay awards are finalised, including updating the Scheme of Members' Allowances as required and back-dating any such adjustments to the relevant effective dates, and that where the only change made to the Scheme during that period is that arising from an adjustment in accordance with this delegated authority that the Scheme shall be deemed not to have been amended;

(d) that the link to the index of officer pay awards as set out above should apply for a period of two years (ie financial years 2022/23 and 2023/24) before it should be reviewed again;

(e) that during the period referred to in (d) an annual report to Council to approve a Scheme of Members' Allowances will be submitted in advance of each civic year, as required by the Local Authorities (Members' Allowances) (England) Regulations 2003, together with a report from the Independent Remuneration Panel making recommendations on any other elements of the Scheme, or if the relevant officer grades are awarded a non-consolidated (one-off) pay award, or anything other than a standard percentage pay award;

(f) to adopt the proposed Scheme of Members' Allowances for the 2022/23 civic year as set out at Appendix B, noting that travel expenses for attending council and committee meetings will no longer be claimable by Members.

Reason

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

Policy Justification and Previous Decisions

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

Attached at Appendix A is the report of the Independent Remuneration Panel in respect of the allowances it recommends should be paid to members of Charnwood Borough Council for the financial year 2022/23 (subject to any annual uplift that may be subsequently applied as set out in this report).

Implementation Timetable including Future Decisions and Scrutiny

The revised Scheme of Allowances, if approved, would come into effect at the start of the 2022/23 financial year (ie. 1st April 2022).

Report Implications

The following implications have been identified for this report.

Financial Implications

The proposed allowances can be met from within existing budgets.

There will be a small saving arising should travel expenses for attending council and committee meeting no longer be claimable by Members.

Risk Management

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

Background Papers: None

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

Appendices

Appendix A: Report of the Independent Remuneration Panel in Respect of Allowances Paid to Members of Charnwood Borough Council
Appendix B: Proposed Amended Members' Allowances Scheme

APPENDIX A

REPORT OF THE INDEPENDENT REMUNERATION PANEL IN RESPECT OF ALLOWANCES PAID TO MEMBERS OF CHARNWOOD BOROUGH COUNCIL 2022-23

THE PANEL

The Panel, which is appointed to make recommendations to the Council in respect of the allowances paid to Councillors, comprises the following members:

Patrick Cleere
Sumeet Dhul
Paul Smith

REMIT

The Local Authorities (Members' Allowances) (England) Regulations 2003 require, amongst other things, that the Council should have regard to the recommendations of an Independent Panel in agreeing allowances paid to Councillors.

Those Regulations require the Panel to produce a report making recommendations as to:

- The amount of basic allowance;
- Whether special responsibility allowances should be paid, and if so, the duties to which they should apply and the amounts of those allowances;
- Whether an allowance relating to the expense of arranging for the care of children or dependents should be available (carers' allowance) and, if so, the amount of that allowance;
- Whether travelling and subsistence allowances should be paid, and, if so, the duties for which they should be payable and the amounts of those allowances;
- Whether a basic allowance should be paid to co-opted members, and, if so, the amount of that allowance.

REPORT

This is the Independent Panel's report of its review of Members' Allowances for 2022/23. This report has been compiled and agreed by members of the Panel following meetings and consideration of the relevant issues between November 2021 and January 2022. The Head of Strategic Support attended the meetings to assist the Panel in consideration of these matters.

Link to Officer Pay Awards / Uplift

The link between Members Allowances and officer pay awards came to an end on 31st March 2021, and in their report for 2021/22 the Panel recommended tat there should be no uplift in allowances and said that they would review the situation again this year.

The Panel therefore asked the Head of Strategic Support to consult with all Councillors as to whether a link to officer pay awards should be re-establised of whether there should be a continued freeze.

Two Councillors responded who both suggested that there should be a further freeze in allowances for 2022/23.

The Panel also met with the Leaders of the Conservative and Labour groups, who both suggested that a link to officer pay awards should be re-established.

Having considered the relevant factors and the responses from Councillors, the Panel's recommendation is that a link to offier pay awards should be res-established on the same basis as previously, but that this should only be for period of two years to allow the Panel to review the situation again at the end of that time.

Travel Expenses for Attending Council and Committee Meetings

During the consultation stage it was suggested to the Panel that Councillors should not be allowed to claim travel expenses (car mileage and public transport / taxi fees) for attending council and committee meetings, though they should continue to be claimable for other approved duties (eg. attending outside body meetings, and attending parish council meetings as the local ward councillor).

The Panel asked the Head of Strategic Support to consult with all Councillors about this suggestion, and the responses received are summarised below:

Details	**Number**
In support of the proposal	14
Against the proposal	13
Neutral	3

Having considered the proposal and the responses received, and on the basis that many councillors do not claim travel expenses anyway for attending these meetings, the Panel decided to recommend that travel expenses should no longer be claimable for attending council and committee meetings, and this is therefore included in the proposed Scheme of Allowances for 2022/23.

THE COUNCIL'S SCHEME OF MEMBERS' ALLOWANCES FOR 2022/23

The Panel has reviewed the Council's Scheme of Members' Allowances and have incorporated the recommendations contained within this report.

A copy is attached to this report for approval.

APPENDIX B

CHARNWOOD BOROUGH COUNCIL

SCHEME OF MEMBERS' ALLOWANCES

In accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, Charnwood Borough Council has agreed the following scheme for members' allowances. In the scheme the term year means the financial year commencing on 1st April 2022.

1. BASIC ALLOWANCE

Subject to paragraph 8, for each year a basic allowance as specified in schedule 1 to this scheme shall be payable to each councillor.

2. SPECIAL RESPONSIBILITY ALLOWANCE

(1) Subject to paragraph 8, for each year a special responsibility allowance shall be payable to those councillors and co-opted members who have the special responsibilities that are specified in schedule 2 to this scheme. For those councillors who have more than one special responsibility allowance, the highest will be paid at 100% and the second or subsequent allowances will be paid at 50%.

(2) Where a majority of councillors belong to the same political group (the controlling group), a special responsibility allowance shall be paid to at least one person who is not a member of the controlling group and has special responsibilities specified in schedule 2 to this scheme.

3. BASIC ALLOWANCE – CO-OPTED MEMBERS

Subject to paragraph 8, for each year, a basic allowance as specified in schedule 1 to this scheme shall be payable to co-opted members and Parish Members of the Member Conduct Committee.

4. CARERS' ALLOWANCE

Expenditure incurred by councillors in providing childcare or in providing care for an elderly, sick or disabled dependent relative to facilitate their attendance at duties specified in the Regulations and approved by the

Council shall be reimbursed in accordance with schedule 3 to this scheme.

5. TRAVEL AND SUBSISTENCE ALLOWANCES

Expenditure incurred by councillors in respect of travel and subsistence to facilitate their attendance at duties specified in the Regulations and approved by the Council shall be payable in accordance with schedule 4 to this scheme.

The travel and subsistence allowances set out in this scheme are available to the Co-opted and Parish Members of Council committees described in paragraph 3.

6. APPROVED DUTIES

Duties specified in the Regulations, together with specific duties approved by the Charnwood Borough Council in respect of which travel, subsistence and carers' allowances are payable are listed in schedule 5 to this scheme.

7. RENUNCIATION

A councillor may by notice in writing given to the Head of Financial & Property Services elect to forego any part of his or her entitlement to an allowance under this scheme.

8. PART-YEAR ENTITLEMENTS AND CEASING OF PAYMENTS

Councillors who are elected, or cease to be elected, part way through the Municipal Year shall receive their basic allowance pro-rata. The same provisions exist for those councillors who are appointed to a position attracting a Special Responsibility Allowance or who cease to hold a position attracting a Special Responsibility Allowance.

9. PENSIONS

Members of the Council are not entitled to be eligible for membership of the Local Government Pension Scheme.

10. CLAIMS AND PAYMENTS

(1) Payment of basic and special responsibility allowances shall be made in monthly instalments of one-twelfth of the amounts specified in this scheme.

(2) Claims for carers' allowance shall be in accordance with the conditions as specified in Schedule 3 to this scheme.

(3) Claims for travel and subsistence allowances shall be in accordance with the conditions as specified in Schedule 4 to this scheme.

11. IT FOR COUNCILLORS

In addition to the allowances specified in the Local Authorities (Members Allowances)(England) Regulations 2003, Charnwood Borough Council has authorised the IT support to councillors set out in Schedule 6.

SCHEDULES

All amounts in the following schedules are paid from 1st April 2022 to 31st March 2023.

SCHEDULE 1

BASIC ALLOWANCES

	Allowance
Councillor	£5,318
Parish Member of the Member Conduct Committee	£265

SCHEDULE 2

SPECIAL RESPONSIBILITY ALLOWANCES

	Allowance
Leader	£12,883
Deputy Leader	£9,017
Cabinet Lead Members *	£5,153
Cabinet Deputy Lead Members *	£2,209
Mayor	£7,214
Deputy Mayor	£1,803
Independent Chair of Audit Committee	£3,608
Chair of Plans Committee	£3,864
Leader of the Opposition	£4,319
Chair of the Member Conduct Committee	£1,547
Chair of Licensing Committee	£2,576
Vice-chair of Plans Committee	£1,547
Vice-chair of Licensing Committee (2)	£773
Chair of Scrutiny Commission	£3,864
Vice-chair of Scrutiny Commission	£1,547
Chair of Directorate-based Scrutiny Committees (3)	£3,608
Vice-chair of Directorate-based Scrutiny Committees (3)	£1,443

* There shall be no more than 10 members of the Cabinet in total, including the Leader and Deputy Leader.

SCHEDULE 3

CARERS' ALLOWANCE

A Carers' Allowance shall be payable for duties specified in the Local Authorities (Members' Allowances) (England) Regulations 2003 and approved by the Council subject to the following conditions:

(i) The maximum hourly rate reimbursed for independent care of a child under the age of 14 shall be equal to the minimum wage.

(ii) The maximum hourly rate reimbursed for the professional care of a dependent relative shall be equal to the Leicestershire County Council's hourly rate for a Home Care Assistant.

(iii) Councillors must certify that the costs have been actually and necessarily incurred and the allowance shall be paid as a reimbursement of incurred expenditure against receipts.

(iv) The allowance shall not be payable to a member of the claimant's own household.

(v) The Head of Strategic Support shall be able to exercise discretion in respect of the above conditions in exceptional and justified circumstances.

(vi) Claims shall be made within four months of the duty to which it relates.

SCHEDULE 4

TRAVEL AND SUBSISTENCE ALLOWANCES

Travel and Subsistence Allowance shall be payable in respect of duties specified in the Regulations and approved by the Council (see Schedule 5). Claims shall be made within four months of the approved duties to which they relate.

In respect of travel the following may be claimed:

(a) The actual cost of travel by public service must not exceed the ordinary or any available cheap fare. Standard class rail fare may be claimed. In the case of travel by ship, first class fare is applicable.

(b) Deposit or porterage of luggage and sleeping car accommodation subject to reduction by one-third of the subsistence allowance for that night.

(c) Taxi-cab fares in cases of urgency or where no public service is reasonably available. The amount claimed shall not exceed the actual fare and any reasonable gratuity.

(d) The cost of hiring a car which must not exceed the rate applicable to the members' own car.

(e) Where a councillor uses his or her own motor car or motor cycle, the mileage rate claimed shall be as the rates available to staff (casual users) and agreed by the National Joint Council for Local Government Services (JNC) on an annual basis.

Current rates per mile are:

	Up to 10,000 miles	Over 10,000 miles
Car	45p per mile	25p per mile
Motorcycle	24p per mile	24 per mile
Bicycle	20p per mile	20p per mile

For journeys out of the county, councillors are encouraged to use rail travel. However, if they use their car, the cost claimed shall be the mileage rate above or the cost of standard return rail fare, whichever is the lower.

(f) Where a councillor carries an official passenger, the additional mileage allowance of 5p per mile per passenger set by HMRC applies.

In respect of subsistence:

Subsistence allowance for councillors shall be the same as for staff and in accordance with guidance from the Inland Revenue such that the Council will refund actual amounts spent in respect of subsistence where supported by receipts and provided that the amounts are reasonable. The following rates are considered by the Inland Revenue to be acceptable as a guideline as to whether actual expenditure is reasonable and also for payment as "flat rates" where receipts are not available:

In the case of absence not involving overnight stay, but not at the normal place of residence:

(i) for more than four hours before 11am – Breakfast allowance - £4
(ii) for more than five hours after this time, ending before 8.30pm – Lunch/Tea allowance - £5
(iii) for more than five hours ending after 8.30pm – Dinner allowance - £8

Use will not be made of a "flat rate" in respect of overnight absence as all expenditure in that respect should be claimed based on actual expenditure only, supported by receipts. However, a flat rate (without the need for receipts) of up to £5 for incidental expenses resulting from overnight absence is claimable. Where possible, overnight accommodation should be booked by the Council so that the VAT element can be reclaimed.

Subsistence allowances may not be claimed where adequate refreshments are provided.

SCHEDULE 5

APPROVED DUTIES OF THE COUNCIL

The Council has agreed that an approved duty, for the purpose of the payment of travel (except those marked with an asterix * for which travel expenses cannot be claimed), subsistence and carers' allowances, is attendance at meetings of the following, where the councillor attending is a member of the relevant body or is acting as a substitute for such, or has been requested to attend to assist with the business being considered by the body:

Council*
Cabinet*
Scrutiny Bodies*
Plans Committee* and its site inspections
Licensing Committee* and its Sub-committees*
Member Conduct Committee* and its Panels*
Audit Committee*
Personnel Committee* and its Panels*
Appeals and Reviews Committee* and its Panels*
Joint Consultative Committee*
Housing Management Advisory Board*

** NB. Travel expenses cannot be claimed for attending these meetings*

Meetings of all outside bodies to which the Council makes appointments and upon which the councillor serves as a representative of the Council or substitute representative.

Conferences authorised by committees or in accordance with the scheme of delegation.

Interviews for the appointment of staff.

The opening of tenders in accordance with the requirements of the Council's Constitution.

Attendance by Cabinet Members at meetings within the Borough that relate directly to their lead member role.

Attendance by the Mayor and Deputy Mayor at meetings and events, both inside and outside the Borough, that relate directly to their roles.

Such other meetings at which individual members have been appointed to represent the Borough Council other than as members of outside bodies, either by virtue of a specific resolution or in the capacity of Leader or Deputy Leader or as Chair or Vice-chair of a Committee.

Training sessions, briefings and other meetings certified by the Head of Strategic Support.

Further to the above, the Council has agreed the following:

(i) That travel allowance and carers' allowance, but not subsistence allowance be payable to a borough councillor in respect of attendance by invitation at a Parish Council or Parish Meeting to participate in the discussion of a Borough Council function.

(ii) That travel and subsistence allowance and carers' allowance be payable to a borough councillor in respect of attendance at Borough Council premises or other establishments within the Borough on such occasions as they consider necessary in connection with the discharge of the Council's functions up to a limit of 15 occasions in each Council year. These are known as "duty days". This provision is an authorisation to carry out an approved duty of a councillor's own choice on 15 occasions of whatever duration and not 15 duty days which might be interpreted, for example, as 30 half days. Visits to the Council offices for IT support purposes should be classed as duty days if travel and subsistence or carers' allowances are to be claimed.

(iii) That travel and subsistence allowance and carers' allowance be payable to a borough councillor in respect of full meetings of political groups held at Borough Council premises and specifically related to the business of the Borough Council on not more than 15 occasions in the period commencing with the day of the Annual Meeting of the Council in any year and terminating on the day preceding the Annual Meeting in the following year."

SCHEDULE 6

IT FOR COUNCILLORS

On request, the Council provides all Councillors with a computer or a tablet device, a printer and appropriate software and support.

If a Councillor choses to use their own device no payment is made for this.

No payments are made towards home broadband or other connectivity costs.

COUNCIL – 21ST FEBRUARY 2022

Report of the Audit Committee

ITEM 6.5 APPOINTMENT OF EXTERNAL AUDITORS

Purpose of Report

To consider a recommendation of the Audit Committee that the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors and that authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

Recommendations

1. That the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors.
2. That authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

Reasons

1. To enable the Council to participate in the PSAA appointing arrangements.
2. To allow the engagement process to be carried out efficiently.

Policy Justification and Previous Decisions

Appointment of an external auditor is a legal requirement.

The previous appointment of the external auditor was carried out using an equivalent appointing arrangement.

At its meeting on 16th November 2021, the Audit Committee considered a report of the Strategic Director of Environmental & Corporate Services setting out the appointment process and options available on the appointment of external auditors, and offering a proposal that the Audit Committee can consider recommending to Council for the final decision on the appointment of an External Auditor for 2023/24 and subsequent years.

The Committee resolved to recommend to Full Council that the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors and that authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

The report considered by the Committee, is attached as an appendix.

Implementation Timetable including Future Decisions and Scrutiny

The appointment of external auditors would be with effect from 1 April 2023. The deadline for opting into the PSAA appointing arrangements is 11 March 2022, which will need to follow ratification by Council.

Report Implications

Financial Implications

Whatever appointing option is followed, there will be uncertainty about the audit fee chargeable. On balance it is likely that the PSAA appointing arrangements, as detailed in the body of the report, will produce a financially advantageous outcome.

Risk Management

There are no especial risks associated with this decision.

Key Decision:	No
Background Papers:	Audit Committee Minute 37, 2021/22, 16th November 2021.
Officer to contact:	Karen Widdowson Democratic Services Manager (01509)634778 karen.widdowson@charnwood.gov.uk

Appendix: Appointment of External Auditors, report of the Strategic Director of Environmental & Corporate Services, Audit Committee, 16th November 2021.

APPENDIX

AUDIT COMMITTEE - 16 NOVEMBER 2021

Report of the Strategic Director of Corporate Services

Part A

ITEM APPOINTMENT OF EXTERNAL AUDITORS

Purpose of Report

The final year of Mazars being the appointed external auditors is financial year 2022/23. A new appointment is required for 2023/24 and subsequent years. This report sets out the appointment process, options available on the appointment of external auditors and offers a proposal that the Audit Committee can consider recommending to Council for the final decision.

Recommendations

That the Audit Committee recommend to Council that:

1. That the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors.

2. That authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

Reasons

1. To enable the Council to participate in the PSAA appointing arrangements.

2. To allow the engagement process to be carried out efficiently.

Policy Justification and Previous Decisions

Appointment of an external auditor is a legal requirement.

The previous appointment of the external auditor was carried out using an equivalent appointing arrangement.

Implementation Timetable including Future Decisions and Scrutiny

The appointment of external auditors would be with effect from 1 April 2023. The deadline for opting into the PSAA appointing arrangements is 11 March 2022, which will need to follow ratification by Council.

Report Implications

Financial Implications

Whatever appointing option is followed, there will be uncertainty about the audit fee chargeable. On balance it is likely that the PSAA appointing arrangements, as detailed in the body of the report, will produce a financially advantageous outcome.

Risk Management

There are no risks directly associated with this decision. The recommendations are designed to minimise the risks associated with appointing an external auditor.

Key Decision:	No
Background Papers:	None
Officer to contact:	Simon Jackson Strategic Director of Environmental & Corporate Services T: 01509 634699 E: simon.jackson@charnwood.gov.uk

Part B

1 Background

1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and the arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

1.2 When the last external audit procurement was undertaken, at its meeting of the 23 January 2017 the Council approved the appointment of PSAA to procure and appoint its external auditor. The last year of the current contract is 2022/23; with new contracts starting from April 2023.

1.3 There are three options available for local government to appoint its external auditor:

Option 1: to an approved sector led body (SLB) to be specified by the Ministry for Housing, Communities and Local Government (MHCLG) to act as the Appointing Person on behalf of opted-in authorities. The opt-in sector led body approach requires Full Council Approval (Regulation 19, Local Audit (Appointing Person) Regulations 2015). The SLB is Public Sector Audit Appointments Ltd (PSAA), who are a wholly owned company of the Local Government Association.

Option 2: establish its own independent auditor panel (Part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014). The panel must be made up of a majority or of wholly independent members and must be chaired by an independent member.

Option 3: establish a joint independent auditor panel to carry out the function on behalf of two or more Councils.

2. Review of Options

Option1- Appointment of PSAA

2.1 The current external audit provider, Mazars LLP, was appointed under the previous PSAA procurement contract arrangement. Current scale fees are based on rates negotiated by PSAA and reflect market share offered in framework contracts. If the Council wishes to remain in the PSAA framework and allow PSAA to continue to manage the appointment of the external auditors, it can do so. PSAA are requesting that all Councils wishing to “opt in” to the new PSAA scheme should do this by no later than 11 March 2022.

PSAA operates a sector-wide procurement that they argue would produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally (Options 2 and 3). Further, it is expected that the appointed auditor would be for a period of 5-years.

2.2 The PSAA have been consulting with local government during 2021 and significant information is provided at their website: www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/

2.3 The advantages and disadvantages of **Option 1** are:

2.4 **Advantages (Benefits)**

i. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities. By offering large contract values, the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by the Sector-led Body who would have a number of contracted firms to call upon. The appointment process would not be ceded to locally appointed independent members. Instead a separate body is set up to act in the collective interests of the 'opt-in' authorities.

ii. The audit costs are likely to be lower than if the Council/Authority sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;

iii. Without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;

iv. PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council/Authority;

v. Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector and this Council/Authority going forward into the medium and long term.

vi. The scope of local audit is fixed, being defined by statute and by accounting and auditing codes, so it would be the same under a local procurement as under PSAA's procurement.

In respect of PSAA itself:

vii. PSAA has considerable expertise and experience in the role of appointing person.

viii. Government confidence having appointed PSAA for a second five-year period – MHCLG's Spring statement refers to our "strong technical expertise and the proactive work we have done to help to identify improvements".

ix. A dedicated team who are very familiar at working within the context of the relevant regulations to appoint auditors, manage contracts with audit firms, and set and determine audit fees.
x. A not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members – so it provides value for public money PSAA is member of new Local Audit Liaison Committee, and regular links with MHCLG and the HO so give feedback and of the sector.

2.5 **Disadvantages (Risks)**

i. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and / or stakeholder representative groups.
ii. For the Sector-led Body to be viable and to be placed in the strongest possible negotiating position it will need Councils to indicate their intention to opt-in before final contract prices are known.
iii. There is less control over the contract length and deciding who will be the external auditors appointed.

Option 2 and 3 – Stand Alone or Joint Arrangement Auditor Appointment

2.6 The governance around Option 1 and 2 are similar; the only difference between the two is that:

- Option 1 the Council appoints its own external auditor (stand-alone appointment), whereas
- Option 2 the Council appoints along with other Councils (joint arrangement).

2.7 For both Options 1 and 2 the Council will either have to establish its own or participate in a joint auditor panel. Such appointment panels are required to be wholly (or a majority) of independent members as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit – only the independent auditor panel established by the Council will be responsible for selecting the auditor. The advantages and disadvantages of Option 1 (Stand-Alone) and Option 2 (Joint Arrangement) are shown in the attached **Appendix.**

2.8 The **overriding disadvantage** of Options 2 and 3 when compared to Option 1 is that there are only 8 (in England) qualified, registered auditors who are duly accredited to undertake public audit. It is therefore expected that these auditors will be procured via the PSAA arrangement and thus economies of scale will be lost via Options 2 and 3 because a local arrangement would be "fishing in the same pool" as that of PSAA.

3.0 Future Fee expectation

3.1 It is anticipated that future year's audit fees, no matter how procured, will cost more than in the past; some of this higher cost was starting to be reflected in the audit requirements of 2019/20. The reasons for this higher cost of audit includes:

- **Limited auditor resource**. This has come about because a lot of the former Audit Commission staff have now exited the audit sector. The firms are now having to invest in their own internal training programmes for a very limited public sector audit market.
- **Higher audit standards.** Because of the audit shortcomings that have been identified following the collapse of Enron, Carillion and other similar high-profile companies, the audit testing regime has been enhanced to help ensure greater reliance on audit conclusions. There are also planned changes in regulation, through the replacement of the Financial Reporting Council with the new Audit, Reporting and Governance Authority (ARGA)
- **Introduction of new auditing and accounting standards**, requiring additional audit work in a variety of areas, such as accounting estimates, group reporting and leases
- **Introduction of the new Code of Practice**, covering a wider scope on Value for Money and reporting, increasing the volume of work required by experienced staff
- **Increased risk profile and complexity of local authorities**, for example entering new transactions, investments, and new models of delivery, increasing the time input of senior and experienced staff

4.0 Preferred Approach to the Appointment of External Auditor

4.1 On balance, considering the various advantages and disadvantages related to each of the options for procuring an external auditor; on balance it is considered that the arrangement offered by PSAA offers best value in respect of audit contract value and the cost of administration. It is therefore recommended that the Audit Committee recommends this option to Council.

Advantages (Benefits) and Disadvantages (Risks): • Option 2 (Stand-Alone Auditor Appointment) • Option 3 (Joint Arrangement Auditor Appointment)	Appendix

Option 2 (Stand-Alone Auditor Appointment)

Advantages / benefits

- Setting up an auditor panel allows the Council to take advantage of the new local appointment regime and have local input to the decision. Also, the Council will have full control over which external audit company will be appointed.

Disadvantages / risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000-£20,000 plus ongoing expenses and allowances.
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts compared to trying to make a local appointment.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.
- It is highly unlikely that a lower fee will be obtained than if PSAA were used, and it is likely that little interest will be received from External Auditors not present at other local authorities. This would mean effectively having to use PSAA appointed auditors that had won regional audits in the area as firms would not want to service a small number or cluster of audits unless fees were significantly higher.

Option 3 (Joint Arrangement Auditor Appointment)

Advantages / benefits

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- There is a greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages / risks

- The decision-making body will be further removed from local input, with potentially no input from elected members (where a wholly independent auditor panel is used) or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has

recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

- It is highly unlikely that a lower fee will be obtained than if PSAA were used, and we may not get any interest from External Auditors not present at other local authorities. This would mean effectively having to use PSAA appointed auditors that had won regional audits in the area as firms would not want to service a small number or cluster of audits unless fees were significantly higher.

- Feedback from other Leicestershire authorities is that all are expected to adopt appointment of external auditors via PSAA arrangements and therefore the Joint Arrangement Auditor Appointment may not be practical if the Council wished to collaborate with neighbouring local authorities.

COUNCIL – 21ST FEBRUARY 2022

Report of the Chief Executive

ITEM 12 URGENT EXECUTIVE DECISIONS EXEMPTED FROM CALL-IN: MEMBER GRANTS SCHEME

Purpose of Report

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

Action Requested

In accordance with Full Council Procedure 9.11(d) questions may be asked of the Leader in relation to the urgent decisions that were taken. The Leader may ask the relevant Lead Member to respond.

Policy Justification and Previous Decisions

The call-in procedure provides for a period of five clear working days during which councillors can ask for decisions taken by the Cabinet and individual Cabinet members, and key decisions taken by officers to be reviewed. With the agreement of the Chair of the Scrutiny Commission or in his/her absence the Mayor or Deputy Mayor) a decision can be exempted from call-in if the decision to be taken is both urgent and reasonable and the delay caused by the call-in process would not be in the interests of the Council or the public. Scrutiny Committee Procedure 11.9 requires that decisions that are exempted from call-in are reported to Council.

(i) ***Member Grants Scheme***

On 2nd October 2018, Councillor Morgan, as Leader of the Council, took a decision to allocate Executive functions relating to the determination of applications under the Member Grants Scheme where the ward councillor concerned had a conflict of interest to the Cabinet Lead Member for Communities, Safety and Wellbeing. This was the later amended on 6th July 2020 to reflect changes to the membership of the Cabinet and allocation of responsibilities to members of the Cabinet.

In exercising that Executive function, the Cabinet Lead Member for Community Support and Equalities took a decision to award the following grants: -

- That £250 be awarded to Soar Valley Outreach for its Food Provision and Financial coach 2022 project
- That £500 be awarded to Newtown Linford Cricket Club for its Purchase of Defibrillator Project

The Chair of the Scrutiny Commission has been consulted and agreed that the decisions relating to member grants be exempted from call-in, given their nature and low financial value.

The report considered can be found in the Annex to this report.

Implementation Timetable including Future Decisions

As detailed within the Annex to this report.

Report Implications

As detailed within the annexes to this report.

Background Papers: None

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

Annex

Reports considered by the Cabinet Lead Member.

ANNEX

EXECUTIVE DECISION RECORD

CABINET LEAD MEMBER: COUNCILLOR HARPER-DAVIES

ITEM MEMBER GRANTS SCHEME

The Decision

That the Lead Member for Community Support and Equalities approves the following award under the Member Grants Scheme where the Ward Councillor has declared a personal interest that might lead to bias:

That £250 be awarded to Soar Valley Outreach for its Food Provision and Financial Coach 2022 project. The project involves motivating and supporting individuals to establish change and includes assistance with benefits, financial coaching, debt management and challenges of addictions work.

Reason

To approve an award under the Member Grants Scheme where the relevant Ward Councillor has declared a personal interest that might lead to bias in connection to the organisation receiving the funding.

Other Options Considered and Rejected

None

Conflicts of Interest Declared by the Decision-Maker

None

Dispensations

None

Reason(s) for the matter being dealt with if urgent

The Chair of the Scrutiny Commission has been consulted and has agreed that these decisions be exempted from call-in, given their nature and low financial value.

Approved: ...LE Harper-Davies............ Date: ...19/1/22......

Cabinet Lead Member for Community Support and Equalities

REPORT

Purpose of Report

To bring forward a recommendation for an award under the Member Grants Scheme where the Ward Councillor has declared a personal interest that might lead to bias.

Background

Councillor Simon Bradshaw is a Ward Councillor representing Syston East. He wishes to support the award of a grant to Soar Valley Outreach for its Food Provision and Financial Coach 2022 project. However, Councillor Bradshaw has declared an interest as follows: *"The Syston Foodbank operates from the Baptist Church on Goodes Lane. The volunteers are drawn from the church congregation – my daughter regularly attends the church Sunday School and my wife and I are frequent visitors and know many of the volunteers".* Therefore, the Cabinet Lead Member is being requested to act as the final decision maker in respect of the award of the grant.

Recommendation

That £250 be awarded to Soar Valley Outreach for its Food Provision and Financial Coach 2022 project.

Reason

To approve an award under the Member Grants Scheme where the relevant Ward Councillor has declared a personal interest that might lead to bias in connection to the organisation receiving the funding.

Policy Justification and Previous Decisions

The Member Grants Scheme was approved by Cabinet at its meeting on 12th April 2018 (minute reference 116).

Under the scheme each Councillor is allocated £1,000 to fund local community projects within their ward (subsequently reduced to £500 in 2020/21).

Situations can arise where Ward Councillors are considering awarding grants under the scheme to organisations they have a connection to, which under the provisions of the Member Code of Conduct may result in them having a 'personal interest which might lead to bias'.

The Member Conduct Committee considered this matter at its meeting on 17th September 2018 and was of the view that in cases where a Ward Councillor has a conflict of interest that the grant application should be referred to the Cabinet for decision.

The Leader of the Council on 2nd October 2018 allocated this Executive function to the Lead Member for Communities, Safety and Wellbeing. This is reflected in Section 4.5 of Chapter 4 of the Council's Constitution. On 6th July 2020, the Leader re-allocated the function to the Lead Member for Community Support and Equalities.

Section 10.9 of Chapter 10 of the Council's Constitution requires that, where executive decisions are the responsibility of an individual member of the Cabinet, details of the decision (including any report) be published after the decision has been taken, as required by law.

Implementation Timetable including Future Decisions and Scrutiny

The Chair of the Scrutiny Commission has been consulted and has agreed that these decisions be exempted from call-in, given their nature and low financial value.

Report Implications

The following implications have been identified for this report.

Financial Implications

The grants can be funded from within existing identified budgets.

Risk Management

There are no specific risks associated with this decision.

Comments of Monitoring Officer

The Lead Member is being requested to make the final decision on the award of the grant in question because the Ward Councillor has declared a personal interest that might lead to bias, and therefore the advice of the Monitoring Officer is that he/she should not be the final decision maker.

Key Decision:	No
Background Papers:	None
Officer to contact:	Karen Widdowson Democratic Services Manager (01509) 634785 karen.widdowson@charnwood.gov.uk

ANNEX

EXECUTIVE DECISION RECORD

CABINET LEAD MEMBER: COUNCILLOR HARPER-DAVIES

ITEM MEMBER GRANTS SCHEME

The Decision

That the Lead Member for Community Support and Equalities approves the following award under the Member Grants Scheme where the Ward Councillor has declared a personal interest that might lead to bias:

That £500 be awarded to Newtown Linford Cricket Club for its Purchase of Defibrilator project. The project involves purchase of a defibrillator unit which can be used by the cricket club, the tennis club and nearby residents of Newtown Linford.

Reason

To approve an award under the Member Grants Scheme where the relevant Ward Councillor has declared a personal interest that might lead to bias in connection to the organisation receiving the funding.

Other Options Considered and Rejected

None

Conflicts of Interest Declared by the Decision-Maker

None

Dispensations

None

Reason(s) for the matter being dealt with if urgent

The Chair of the Scrutiny Commission has been consulted and has agreed that these decisions be exempted from call-in, given their nature and low financial value.

Approved: ...L C Harper-Davies............. Date: ....6.1.1.22........

Cabinet Lead Member for Community Support and Equalities

REPORT

Purpose of Report

To bring forward a recommendation for an award under the Member Grants Scheme where the Ward Councillor has declared a personal interest that might lead to bias.

Background

Councillor Snartt is a Ward Councillor representing Forest Bradgate. He wishes to support the award of a grant to Newtown Linford Cricket Club for its Purchase of Defibrilator project. However, Councillor Snartt has declared an interest as Vice President of Newtown Linford Cricket Club. Therefore, the Cabinet Lead Member is being requested to act as the final decision maker in respect of the award of the grant.

Recommendation

That £500 be awarded to Newtown Linford Cricket Club for its Purchase of Defibrilator project.

Reason

To approve an award under the Member Grants Scheme where the relevant Ward Councillor has declared a personal interest that might lead to bias in connection to the organisation receiving the funding.

Policy Justification and Previous Decisions

The Member Grants Scheme was approved by Cabinet at its meeting on 12th April 2018 (minute reference 116).

Under the scheme each Councillor is allocated £1,000 to fund local community projects within their ward (subsequently reduced to £500 in 2020/21).

Situations can arise where Ward Councillors are considering awarding grants under the scheme to organisations they have a connection to, which under the provisions of the Member Code of Conduct may result in them having a 'personal interest which might lead to bias'.

The Member Conduct Committee considered this matter at its meeting on 17th September 2018 and was of the view that in cases where a Ward Councillor has a conflict of interest that the grant application should be referred to the Cabinet for decision.

The Leader of the Council on 2nd October 2018 allocated this Executive function to the Lead Member for Communities, Safety and Wellbeing. This is reflected in Section 4.5 of Chapter 4 of the Council's Constitution. On 6th July 2020, the Leader re-allocated the function to the Lead Member for Community Support and Equalities.

Section 10.9 of Chapter 10 of the Council's Constitution requires that, where executive decisions are the responsibility of an individual member of the Cabinet, details of the decision (including any report) be published after the decision has been taken, as required by law.

Implementation Timetable including Future Decisions and Scrutiny

The Chair of the Scrutiny Commission has been consulted and has agreed that these decisions be exempted from call-in, given their nature and low financial value.

Report Implications

The following implications have been identified for this report.

Financial Implications

The grants can be funded from within existing identified budgets.

Risk Management

There are no specific risks associated with this decision.

Comments of Monitoring Officer

The Lead Member is being requested to make the final decision on the award of the grant in question because the Ward Councillor has declared a personal interest that might lead to bias, and therefore the advice of the Monitoring Officer is that he/she should not be the final decision maker.

Key Decision:	No
Background Papers:	None
Officer to contact:	Karen Widdowson Democratic Services Manager (01509) 634785 karen.widdowson@charnwood.gov.uk

COUNCIL – 21ST FEBRUARY 2022

Report of the Chief Executive

Part A

ITEM 13 DELEGATION OF EXECUTIVE FUNCTIONS: DELEGATION OF EXECUTIVE FUNCTIONS TO THE LEADER

Purpose of Report

To inform Council of a delegation of an Executive function to the Leader and Deputy Leader.

Action Requested

In accordance with Full Council Procedure 9.11(d) questions may be asked of the Leader in relation to the changes to the delegation of Executive functions.

Policy Justification and Previous Decisions

At the Council Meeting on 20th May 2019, Council resolved that Councillor Jonathan Morgan be appointed Leader of the Council for the Council term 2019/20 to 2022/23. (Council minute 8 2019/20 refers).

As required by the Constitution, the Chief Executive reports to Council whenever the Leader makes a change to the composition of the Cabinet, or to the allocation of Executive functions to the Cabinet, individual Cabinet members or officers.

Delegation of Executive functions to the Leader

Where it is not possible to convene a face to face in person meeting then Cabinet will meet informally via virtual meetings. In such circumstances it is necessary for Executive decisions to be delegated to the Leader, as Executive decisions cannot lawfully be made at any virtual Cabinet meetings.

The Leader took a decision to delegate Executive decision-making powers to himself initially on 30th April 2021, then on 30th October 2021 and a further extension was made on 1st February 2022 for a further 3-month period in accordance with section 9E of the Local Government Act 2000.

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 expired on 6th May 2021 and this delegation enables the Cabinet to meet informally via virtual meetings where it is deemed appropriate. To date Cabinet have met informally on three occasions due to the high Covid infection rates in the UK and across Leicestershire.

Details are set out in the Annex to this report.

Implementation Timetable including Future Decisions and Scrutiny

The Leader may amend the size and composition of the Cabinet and the scheme of delegation relating to Executive functions at any time during the year. The Chief Executive will present a report to the next ordinary meeting of the Council setting out the changes made by the Leader.

Report Implications

Financial Implications

The financial implications associated with the changes to the delegation of Executive functions are set out in the annexes.

Risk Management

No specific risks have been identified in connection with this report.

Background Papers: None

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

ANNEX

DECISION OF THE LEADER – 1st February 2022

Purpose of Decision

To delegate all Executive functions and decision making for a further three-month period from the date of this decision to the Leader of the Council (or the Deputy Leader if the Leader is unable to act), in accordance with section 9E of the Local Government Act 2000.

Decision

That all Executive functions and decision making be delegated to the Leader (or the Deputy Leader if the Leader is unable to act) for a further period of three months from the date of this decision.

Reason

To enable the Leader of the Council to take Executive decisions that have been considered at informal virtual Cabinet meetings.

Background

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

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

Councillor Jonathan Morgan was appointed as Leader of the Council on 21st May 2019 for the Council Term to 2023.

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

Background

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 expired on 6th May 2021. Primary legislation is required to allow local authority "meetings" under the 1972 Act to take place remotely.

Where it is not possible to convene a face to face in person meeting then Cabinet will meet informally via virtual meetings. In such circumstances it is necessary for Executive decisions to be delegated to the Leader, as Executive decisions cannot lawfully be made at any virtual Cabinet meetings.

Under section 9E of the Local Government Act 2000, the Leader of the Council can take all Executive decisions, or they can be taken by Members of the Executive or by officers, to whom Executive powers have been delegated.

The Leader is able to change the scheme of Executive delegations at any time. Chapter 4 (Section 4.5) of the Constitution explains that all Executive decisions which are not delegated to officers, a single Cabinet member or a committee of the Cabinet must be agreed by the Cabinet.

Given that the Cabinet may need to meet informally due to the raising rates of Covid infection in the UK and across Leicestershire it is therefore prudent that Leader decision taken initially on 30th April 2021, then on 30th October 2021 and on 29th October 2021 be extended for a further 3-month period.

It is intended that decision making by the Leader in such situations will be after consultation with other Cabinet members at virtual informal meetings, which will be open to virtual observance by other Councillors and by members of the public, except that members of the public will be excluded when exempt matters are being considered.

Financial Implications

None arising directly from this decision. The financial implications associated with any single executive decisions will be identified in the reports and documents relevant to the delegated decision.

Risk Management

No specific risks have been identified in connection with this decision.

Signed:

Councillor Jonathan Morgan, Leader of the Council

Date: 1st February 2022

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

Key Decision: No

Background Papers: None

COUNCIL – 21ST FEBRUARY 2022

Report of the Chief Executive

ITEM 14 APPOINTMENTS TO COMMITTEES

Purpose of the Report

To seek confirmation of changes to the membership of committees as set out below.

Recommendation

That the appointments set out below be made:

Committee Name	**Past representative**	**New representative**
Scrutiny Commission	Vacancy	Cllr Keith Harris
Audit Committee	Vacancy	Cllr Anne Gray
Personnel Committee	Vacancy	Cllrs Beverley Gray
Housing Management Advisory Board (HMAB)	Vacancy	Cllr Mary Draycott

Reason

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

Policy Justification and Previous Decisions

Appointments to committees are made by Full Council. All appointments are confirmed at the start of each Council year but can be amended by Council during the course of the year. In addition, the Head of Strategic Support has delegated authority to make interim committee appointments if notice is received from the relevant group leader (section 11.2(d) of the Constitution in respect of scrutiny appointments and section 12.4(a) and (b) of the Constitution in respect of other committee appointments).

In accordance with those delegated powers, on 3rd February 2022 the Head of Strategic Support made the interim appointments to the Scrutiny Commission and Audit Committee set out above (DD017 2021/22). The Constitution requires that such appointments are confirmed at the next available Council meeting.

Implementation Timetable including Future Decisions and Scrutiny

The Council's decision will have immediate effect. Further amendments to committee appointments can be made by Full Council at each of its meetings.

The annual review of political balance arrangements and committee appointments will take place at the Annual Council meeting on 23rd May 2022.

Report Implications

Financial Implications

There are no additional financial costs, since any expenses claimed relating to these duties would be met from the existing councillors’ allowances budget.

Risk Management

No risks have been identified with this decision.

Background Papers: None

Officer to Contact: Karen Widdowson
Democratic Services Manager
01509 634785
karen.widdowson@charnwood.gov.uk