Meeting	**POLICY DEVELOPMENT GROUP**
Time/Day/Date	6.30 pm on Wednesday, 9 January 2019
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATION OF INTERESTS**	
	Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3.	**PUBLIC QUESTION AND ANSWER SESSION**	
	To receive questions from members of the public under rule no.10 of the Council Procedure Rules. The procedure rule provides that members of the public may ask any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Support Services.	
4.	**MINUTES**	
	To approve and sign the minutes of the meeting held on 5 November 2018.	**3 - 8**
5.	**2019/20 CAPITAL STRATEGY**	
	Report of the Head of Finance	**9 - 16**
6.	**TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20 AND PRUDENTIAL INDICATORS 2019/20 TO 2021/22**	
	Report of the Head of Finance	**17 - 44**
7.	**DRAFT INVESTMENT STRATEGY - SERVICE AND COMMERCIAL 2019/20**	
	Report of the Head of Finance	**45 - 52**

8. DRAFT 2019/20 GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS

Report of the Head of Finance **53 - 70**

9. 2019/20 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS

Report of the Head of Finance **71 - 84**

10. 2019/20 - 2023/24 DRAFT CAPITAL PROGRAMMES

Report of the Head of Finance **85 - 104**

11. 2019 - 2024 MEDIUM TERM FINANCIAL STRATEGY

Report of the Head of Finance **105 - 134**

12. MARLBOROUGH SQUARE UPDATE

Report of the Head of Economic Regeneration **135 - 146**

13. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

To consider any items to be included in the work programme. The plan of forthcoming Cabinet decisions and the current work programme are attached for information. **147 - 148**

14. EXCLUSION OF PRESS AND PUBLIC

The officers consider that the press and public should be excluded during consideration of the following items in accordance with Section 100(a) of the Local Government Act 1972 as publicity would be likely to result in disclosure of exempt or confidential information. Members are reminded that they must have regard to the public interest test and must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available.

15. VALUE FOR MONEY REVIEW OF NEW AFFORDABLE HOUSING

Report of the Strategic Director of Housing and Customer Services **149 - 164**

Circulation:

Councillor R Ashman
Councillor N Clarke
Councillor T Eynon
Councillor G Hoult
Councillor P Purver
Councillor V Richichi
Councillor A C Saffell
Councillor S Sheahan
Councillor N Smith (Deputy Chairman)
Councillor M Specht (Chairman)

MINUTES of a meeting of the POLICY DEVELOPMENT GROUP held in the Council Chamber, Council Offices, Coalville on MONDAY, 5 NOVEMBER 2018

Present: Councillor M Specht (Chairman)

Councillors R Ashman, N Clarke, T Eynon, G Hoult, V Richichi, S Sheahan and N Smith

Officers: Mr J Arnold, Mr G Jones, Mrs M Meredith, Mr M Murphy, Ms C Preston, Ms C Proudfoot and Mr P Sanders

24. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P Purver.

25. DECLARATION OF INTERESTS

Councillor S Sheahan declared a non-pecuniary interest in item 7 – Quarter 2 Performance Management Report, due to the reference in the report to HS2. He advised that he would leave the room during any discussion on HS2.

Councillors T Eynon and S Sheahan declared a non-pecuniary interest in item 7 – Quarter 2 Performance Management Report, as members of Leicestershire County Council, due to the references in the report to the Corporate Risk Register.

26. PUBLIC QUESTION AND ANSWER SESSION

No questions were received.

27. MINUTES

Consideration was given to the minutes of the meeting held on 19 September 2018.

It was moved by Councillor M Specht, seconded by Councillor N Smith and

RESOLVED THAT:

The minutes of the meeting held on 19 September 2018 be approved and signed by the Chairman as a correct record.

28. PEOPLE PLAN

The Head of Human Resources and Organisation Development presented the report to members, outlining the purpose of the People Plan which was part of the wider programme of cultural change in the Council. He highlighted the work which had been undertaken across the organisation in the early development of the plan and the development of a new set of core values. He highlighted the five key themes in the plan as set out in the report and the detailed action plan at Appendix 1. He advised that Policy Development Group would receive further reports to update members on progress made against the actions.

In response to a question from Councillor M Specht, the Head of Human Resources and Organisation Development advised that positive discussions had taken place with Trade Unions, however no formal responses had yet been received.

In response to a question from Councillor M Specht, the Head of Human Resources and Organisation Development advised that good progress had been made across all departments in the recruitment of apprenticeships, and there were currently 18 apprentices in post against a target of 17.5. He added that this target would need to be revised when the leisure TUPE transfer took place in May 2019.

Councillor T Eynon welcomed the document and was pleased to see the consultation with Trade Unions and the comments in respect of diversity and increasing the methods of applying for jobs, however she was not clear how that might work and how that might help the council to achieve equality. She welcomed the intention to grow our own in skills shortage areas. She also welcomed the focus on gender but felt that this should not be the only equalities focus. She commented on the difficulties experienced by people on the autistic spectrum in respect of getting into work due to the format of job interviews in particular. She referred to the additional funding available from the government for apprenticeships in areas where there were skills shortages, such as IT. She referred to the open recruitment event taking place and sought confirmation whether Stephenson College were aware of the new ways of providing apprenticeships or whether other apprenticeship partners should be considered.

The Head of Human Resources and Organisation Development advised that work placements were being utilised much more and the Council had recently agreed to work with Stephenson College with pilot schemes on T levels. He agreed to consider the concerns raised by Councillor T Eynon.

In response to concerns raised by Councillor V Richichi, the Head of Human Resources and Organisation Development advised that the proposed changes to the flexible working arrangements at the Council would need very careful consideration and business need would be taken into account. He added that it may be necessary to restrict the availability of flexible working arrangements for some staff. He assured members that the arrangements would be carefully considered for each team to ensure that efficiency and service availability was not affected. He added that there may be additional benefits to the customer associated with different working hours.

In response to a question from Councillor N Smith, the Head of Human Resources and Organisation Development confirmed that certificates would be issued on completion of apprenticeships.

Councillor S Sheahan commented that he was surprised that there was no specific mention of the employment of people with disabilities in the People Plan.

In response to a question from Councillor S Sheahan, the Head of Human Resources and Organisation Development advised that the gender pay gap at the Council was currently 6%, which was in line with the average for the East Midlands. He added that a report would be brought to the group to consider how this could be reduced in future years, however he advised that the report provided to Council contained the data from the previous year so it had not been possible to influence this figure.

Councillor R Ashman commented that age discrimination had not been covered and he felt that, in addition to apprenticeships and job fairs, the Council should consider looking at other ways of attracting people who had something to offer in terms of previous work / life experience.

The Head of Human Resources and Organisation Development explained that there was not an intention to ignore the other key protected characteristics in the report, however the emphasis was on targeting the recruitment and retention of younger workers as it was recognised that the Council had an ageing workforce profile. He added that some policies on protected characteristics were built into the Council's existing HR procedures.

In response to questions from Councillor M Specht, the Head of Human Resources and Organisation Development explained that the council had experienced some difficulties with recruiting to those areas with national skills shortages, such as planning, legal and housing maintenance. He added that in most other employment areas the council saw a good response to recruitment, and good retention rates.

Councillor N Clarke referred to the development of linked grade structures to improve career progression. He commented that whilst this could sometimes lead to people taking on additional duties in order to advance, it could also lead to people being paid at the same level for doing more.

The Head of Human Resources and Organisation Development explained that a number of career-graded schemes were in place and clear attainment markers were set. He added that the advantage of career-graded schemes was that they could help with the retention of staff who might not otherwise develop further within the organisation.

In response to questions from Councillor N Clarke, the Head of Human Resources and Organisation Development advised that the council did contribute to the apprenticeship levy and was making good use of that by having a high number of apprentices.

RESOLVED THAT:

The proposed action plan be noted.

29. THE COUNCIL'S APPROACH TO FLY TIPPING

The Environmental Protection Team Manager presented the report to members and gave a presentation on the actions being taken to reduce fly tipping.

Councillor S Sheahan commented that it would be interesting to see what other authorities did differently, for example, whether others offered a free bulky waste collection. He felt it would be more useful to look at the actual costs incurred by fly tips.

In response to comments from Councillor S Sheahan, the Environmental Protection Team Manager explained that the different reporting approaches used by other authorities made it difficult to compare on a like for like basis. She added that the work being undertaken was having a measurable positive impact. She explained that most fly tips were not large items and mainly occurred where people had paid someone to take away household waste. She advised that the aim was to encourage the general public to support officers more in tackling the problem, and officers were working towards launching an app to enable people to report issues, and to enable officers to be more responsive. She added that a drone had also been purchased and would be put in to use pending permission from the civil aviation authority.

The Waste Services Team Manager agreed to provide more information on the bulky waste services offered by other local authorities. She provided an update on the issues at Netherfield Lane which had been a prolific fly tipping location for many years. She outlined the issues around access and gating of the area and explained that the team had stopped clearing the site due to the gate being erected.

The Environmental Protection Team Manager explained that a campaign was being undertaken which included signage, the installation of cameras, the mobile CCTV camera and observations by staff.

Councillor S Sheahan welcomed the campaign and felt that prevention was the right approach. He requested more information on the cost of fly tips.

Councillor N Smith congratulated officers on the improvements made and welcomed the installation of cameras. He referred to a specific area in Ravenstone which had become the target of fly tipping.

The Environmental Protection Team Manager advised that she had been in discussions with Leicestershire County Council on other hotspots in the area and would raise the issue of this site at their next meeting.

Councillor T Eynon expressed concerns about the costs to residents of bulky waste collections and the impact of this on poorer households. She felt it would be interesting to compare how much the council was making from its bulky waste collections compared with other authorities.

The Head of Community Services advised that this was a complex issue, however he agreed to provide the fees and charges for the next year which were currently being drawn up.

The Environmental Protection Team Manager explained that the council sought to recover the costs of fly tipping during prosecutions.

In response to a question from Councillor N Clarke, the Environmental Protection Team Manager advised that consideration was being given to providing skips in certain areas as part of an environmental day next year.

In response to comments and questions from Councillor V Richichi, the Environmental Protection Team Manager advised that the 29 fixed penalties issued had not solely been related to bring sites. She explained that the campaign at the bring sites concentrated on a combination of enforcement and education as many people did not realise that leaving a bag by the side of the bin was classified as a fly tip. In response to concerns raised by Councillor V Richichi about issuing fixed penalty notices at bring sites, the Environmental Protection Team Manager stated that this had not resulted in a reduction in recycling or an increase in fly tipping. She added that the campaign had resulted in a change of behaviour and an increased understanding that leaving recycling at the side of the bins could result in a fixed penalty notice.

Councillor M Specht congratulated the team on their sterling work and commented that both Farm Town and Church Town had been free of fly tips for 5 weeks, which was a huge success.

In response to a question from Councillor G Hoult, the Environmental Protection Team Manager advised that feedback from the consultation on the proposal to introduce a new fixed penalty fine in relation to householders' not fulfilling their duty of care with regards to their waste was due in November. She agreed to provide an update once this was received.

RESOLVED THAT:

The report be noted.

30. 2018/19 QUARTER 2 PERFORMANCE MANAGEMENT REPORT

The Strategic Director of Place presented the report to members, drawing their attention to the performance summary set out in the report and the exception report at Appendix 1.

In response to questions from Councillor S Sheahan, the Strategic Director of Housing and Customer Services advised that the allocation of newly built homes could only be restricted to a particular town or village if the new development was classified as a rural exception site. Otherwise the property would be let to anyone on the housing register, and it was necessary to prove a connection to North West Leicestershire in order to join the housing register.

Councillor S Sheahan expressed concerns regarding Queensway House in Measham, in particular regarding negotiations with the adjacent site and the risk of the site becoming derelict. He requested that prompt action be taken.

The Head of Housing and Customer Services agreed to provide an update with more detail to Councillor S Sheahan.

In response to questions from Councillor S Sheahan, the Strategic Director of Housing and Customer Services advised that an architect had been employed to look at the design of the next phase of the off street parking improvement programme at Ridgeway Road, Ashby. It was not yet known how many parking spaces would be created.

In response to a question from Councillor S Sheahan, the Strategic Director of Housing and Customer Services advised that the overall delivery of affordable housing and the housing need for the district was set out in the Local Plan. He reminded members that the housing need was being reviewed as part of the review of the Local Plan.

Councillor S Sheahan commented on the high level of sicknesses relating to back pain and asked how much of this was preventable. The Head of Human Resources and Organisation Development advised that it was not currently known what percentage of illnesses involving back pain were work related. He agreed to provide this information in future reports. He added that manual handling training was provided for employees where relevant.

In response to a question from Councillor S Sheahan, the Strategic Director of Place advised that the work at Moira Furnace was focussed on the furnace itself and considering the use of the wider site to support the furnace. He added that this project was at a very early stage.

In response to questions from Councillor V Richichi, the Strategic Director of Place advised that a mid-point review had been completed regarding the shop front improvements scheme which would be considered by Cabinet. He explained that confidence in Coalville was measured through feedback from residents and traders, the partnerships in place and the success of events, including the communications and press releases issued.

Councillor T Eynon welcomed the level of data in the report. She commended the Head of Customer Services and felt it was clear that things were moving in the right direction. She commented that according to Leicestershire County Council's data, there was a need to boost specialist / affordable housing delivery across the market area.

Councillor N Clarke thanked officers for providing the Health and Safety data he had requested. He felt it would be useful to compare this with historical data to see if the trends were in the right direction. He added that it would be useful to put this into context regarding the percentage of staff affected and to attach costs to some of the avoidable incidents.

In response to a question from Councillor M Specht, the Strategic Director of Housing and Customer Services outlined some of the criteria in the housing allocations policy, in particular the need to demonstrate a local connection to North West Leicestershire, and advised that numbers on the housing register had remained stable and so he was confident this was not being abused.

RESOLVED THAT:

The Quarter 2 Performance Management Report be noted.

31. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

The Strategic Director of Housing and Customer Services drew members' attention to the future work programme and the high volume of business for the next meeting.

Members discussed the options available and the business to be transacted at the next meeting. It was agreed that a further meeting be scheduled on 6 February 2019.

Councillor N Smith left the meeting at 7.26pm during the debate on item 6 – The Council's Approach to Fly Tipping.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.07 pm

Chairman's signature

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**2019/20 CAPITAL STRATEGY**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To seek comments on the Capital Strategy
Council priorities	Value for Money
Implications:	
Financial/Staff	This strategy lays out the approach and framework for capital investment. Capital activities impact on the resources available to the council through capital financing including use of revenue and reserves, interest on borrowing and Minimum Revenue Provision.
Link to relevant CAT	Could impact on all CAT's
Risk Management	Capital schemes and expenditure carry elements of risk. These are moderated through compliance with the CIPFA Prudential Code, adoption of the Capital Strategy and through the Medium Term financial Strategy, budget setting and monitoring processes implemented by the council.
Equalities Impact Screening	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory

Consultees	
Background papers	
Recommendations	**THAT POLICY DEVELOPMENT GROUP PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 5 FEBRUARY 2019 TO CONSIDER THE CAPITAL STRATEGY 2019/20 AND RECOMMEND ITS PROPOSALS TO COUNCIL ON 26 FEBRUARY 2019.**

1.0 INTRODUCTION

1.1 The Capital Strategy sets out the council's priorities and approach to capital investment and provides a mechanism by which the capital investment and financing decisions can be aligned with the corporate priorities over the medium term

1.2 The strategy provides a clear context within which proposals for capital expenditure are evaluated to ensure that capital investment is targeted at meeting the council's priorities.

1.3 The strategy considers available options for funding capital schemes and how resources may be maximised to generate investment in the district and to determine an affordable and sustainable funding policy framework including identification of resources available for capital investment over the lifespan of the MTFS. This strategy supports the Council's wider strategic framework, including the council's Commercial Strategy.

1.4 Members should note that the strategy is currently aligned to the Draft Capital Programmes 2019/20 – 2023/24 and therefore are subject to change as part of the presentation of the final budget to Cabinet and Council on 5 and 26 February 2019 respectively. In particular, the assumptions regarding the value and timing of capital expenditure and the related proposed financing of the council's new leisure facility is likely to change once the procurement exercise to secure a leisure operator has been completed in early January 2019.

1.5 The strategy provides governance arrangements for capital including monitoring of schemes, budget profiling, deliverability and value for money.

1.6 A copy of the Capital Strategy is attached at Appendix 1.

Capital Strategy 2019/20

1. Introduction

1.1 This Capital Strategy sets out the Council's priorities and approach to capital investment. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities over a medium term (five year) planning timeframe.

1.2 The Strategy sets the corporate framework within which capital investment is planned, procured, prioritised, managed and funded. The Strategy has direct links to the Council's Asset Management Strategy and forms an integral part of the Council's Medium Term Financial Strategy.

1.3 The aim of this Capital Strategy is to provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities.

1.4 Capital projects will focus on the delivery of long term economic growth and or financial return benefits to the District in the form of:-

- Spend to save
- Spend to earn income or other financial returns
- Attracting significant third party or private resources to the District
- Addressing major infrastructure investment

1.5 The Strategy sets out how the Council identifies, programmes and prioritises capital requirements and proposals arising from business plans, the Planned Preventative Maintenance (PPM) Schedule and other related strategies.

1.6 The Strategy also considers options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment and to identify the resources available for capital investment over the MTFS planning period.

1.7 The Strategy establishes effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of Value for Money.

2. CAPITAL PROGRAMME NEEDS AND PRIORITIES

2.1 Capital expenditure involves the acquisition, creation or enhancement of fixed assets with a long term value to the Council.

2.2 Fixed assets shape the way services are delivered in the long term and create financial commitments for the future, including capital financing and ongoing revenue costs. The classification of assets are as follows:

Category	Asset Type
Intangible Assets	ICT Software
Property, Plant and Equipment (PPE)	Land and Buildings
	Vehicles, Plant and Equipment
	Infrastructure Assets (eg. housing paths)
	Community Assets (eg. country parks or historic buildings)
	Surplus Assets
	Assets Under Construction
Investment Assets	Investment Properties - ie. held for income earning or capital appreciation
Assets Held for Sale	Assets actively marketed for Disposal
Heritage Assets	Assets held that contribute to the knowledge and history of the area

2.3 The Council applies a de-minimus level of £10,000 for individual items to be charged as capital expenditure. Items below this limit are charged to revenue in the year that it is incurred.

2.4 Financial resources available to meet corporate priorities are constrained in the current economic and political climate. Central government support for capital investment has reduced significantly over recent years, and the Council now recognises that it must rely more on internal resources and seek ways in which investment decisions can be either self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.

2.5 The 5 year 2019/20 – 2023/24 General Fund capital programme totals £28,728,960. The programme is funded by a combination of Section 106 developer contributions, Government grants, capital receipts, revenue, reserves and internal and external borrowing.

2.6 The Council's PPM identifies the total capital investment need in relation to the Council's asset portfolio. The PPM includes significant backlog maintenance issues across the Councils property portfolio.

2.7 The approach to developing the capital programme is based upon the following:

2.7.1 **Economic Investment** – The Council will continue to seek investments that generate longer term growth in projects that yield a combination of revenue generation (business rates, rent or interest), jobs and capital infrastructure investment. Based on sound business cases the Council will assist in acquiring strategic sites for the delivery of major investment projects.

2.7.2 **Self-Sufficiency** – The Council will seek to invest in assets that support self-sufficiency for the Council.

2.7.3 **Corporate Property** – To reduce its backlog maintenance liability the Council will rationalise its asset base. This is either in the form of the sales of surplus assets or the outsourcing of management arrangements. These will contribute to ongoing revenue savings and / or capital receipts respectively.

2.7.4 **Decent Homes** – The Council will continue to invest in its council housing to maintain the Government's Decent Homes standard.

2.7.5 **Car Parks** – The Council owns and manages 28 car parks within the District. The Council will continue to minimise the ongoing delivery costs, whilst seeking to maximise income. More details with regards to car parks can be found in the Council's Car Parking Strategy.

2.7.6 **Culture & Tourism** – The Council owns two scheduled monument assets: Moira Furnace, a tourist museum operated by an external third party; and the War Memorial Tower, a listed war memorial in the centre of Coalville.

2.7.7 **ICT –** The Council will undertake appropriate investment into ICT hardware and software on a case by case basis. The primary focus is to improve technologies on a spend to save basis.

2.7.8 **Leisure** – The Council currently owns 2 leisure centres, Hood Park Leisure Centre in Ashby and Hermitage Leisure Centre in Whitwick, Coalville. In November 2017, the Council decided to outsource the provision of its leisure centres, to include the closure of the Hermitage site and the building of a new replacement facility in Coalville (funded by the Council), as well as the ongoing maintenance of Hood Park. At the time of writing this Strategy, a procurement exercise is underway to secure an operator. The Council will retain ownership of both the existing and new assets, however from inception of the contract (anticipated May 2019), the new operator will be responsible for all capital improvement works.

2.8 The following material investments will be undertaken between the period of 2019 and 2024:

2.8.1 **New Leisure Centre** – As detailed in 2.7.8 above, a new facility will be delivered through the outsourcing of the Council's Leisure Centre services. The indicative value of the new facility is £19.475m and will be funded through a mixture of internal and external borrowing and capital receipts arising on the disposal of a Cropston Drive, one of the Council's remaining significant land holdings. The final value of the new facility is subject to the conclusion of the procurement process in February 2019.

3. RESOURCING

3.1 The Capital Programme is resourced as follows:

3.1.1 **Central government** – Grants are allocated in relation to specific programmes or projects. An example of a Government Grant in the current programme is the Disabled Facilities Grant.

3.1.2 **Third Party funding -** Capital grants represent project specific funding for capital projects, in addition to that from Central Government, which is more usually received from quasi-government sources or other national organisations. In developing capital proposals the Council will always seek to maximise such external contributions, subject to any related grant conditions being consistent with the Council's policy aims and targeted outcomes. Frequently such funding, which enhances the Council's investment capacity, will also be linked to match funding arrangements.

3.1.3 **Developer contributions** – these represent contributions from developers towards the provision of public assets or facilities. Sometimes these are to mitigate the impact of their development on communities and often referred to as Section 106 contributions. These contributions are usually earmarked for specific purposes in planning agreements and often related to infrastructure projects.

3.1.4 **Unsupported borrowing** – under the Prudential Code the Council has discretion to self-finance the capital programme by undertaking borrowing to fund capital projects with the full cost of that borrowing being funded from within Council resources, as identified in the MTFS and annual budgets. This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable. Unsupported borrowing does provide an option for funding additional capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing longer term income streams.

3.1.5 **Capital receipts from property asset disposal** – the Council has a substantial property estate, mainly for operational service requirements and administrative buildings. This estate is managed through the PPM which identifies property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed.

3.1.6 **Capital Receipts from Vehicle, Plant and Equipment disposal** – the Council has reduced its leasing commitments on vehicles and plant over a number of years and currently all Vehicle, Plant and Equipment is owned by the Authority. The rolling programme of fleet replacement generates capital receipts which are then utilised against future purchases of fleet equipment.

3.1.7 **Revenue and Reserves** – Capital expenditure may be funded directly from an in-year revenue contribution (RCCO – Revenue Contribution to Capital Outlay) or by specific revenue funds previously set aside, such as repairs and renewal funds. However, the general pressures on the Council's revenue budget and Council Tax levels limit the extent to which this may be exercised as a source of capital funding.

3.1.8 How the Capital Programme is financed over 2019/20 to 2023/24

	Government Grant	Developer Contributions	Borrowing	Capital Receipts	Revenue or Reserves	Total
2019/20	621,200	181,000	11,227,450	2,786,000	80,940	**14,896,590**
2020/21	621,200	0	9,382,000	0	67,440	**10,070,640**
2021/22	621,200	0	819,000	0	26,750	**1,466,950**
2022/23	621,200	0	492,000	0	26,050	**1,139,250**
2023/24	621,200	0	509,000	0	25,330	**1,155,530**
Total	**3,106,000**	**181,000**	**22,429,450**	**2,786,000**	**226,510**	**28,728,960**

3.2 Utilising unsupported borrowing impacts on the revenue budget from ongoing costs to finance the debt. This is both the interest cost of the borrowing and the Minimum Revenue Provision that is set aside to repay the debt. Given the pressure on the Council's revenue budget in future years, investment will be limited to cases where there was a clear financial benefit, such as "invest to save", "spend to earn" or major regeneration schemes which provide a net return over and above the borrowing cost. Such schemes will focus on the Council's priorities and generate revenue benefits in future financial years in the form of income such interest on loans, rents, council tax or business rate yield will be favoured.

3.3 The Council will continue to consider on a cautious and prudent basis the extent to which prudential borrowing may be undertaken to fund new capital investment, which generates returns over and above the revenue costs of the debt.

3.4 Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment as and when received.

4. GOVERNANCE AND MONITORING OF THE CAPITAL PROGRAMME

4.1 The Council reviews its capital requirements and determines its Capital Programme within the framework of the MTFS and as part of the annual budget process. Resource constraints mean that the Council continually needs to prioritise expenditure in the light of its aims and priorities and consider alternative solutions.

4.2 The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

4.3 To ensure that available resources are allocated optimally, capital programme planning is determined in parallel with the service and revenue budget planning process within the framework of the MTFS.

4.4 The main forum for reviewing financial, risk and governance aspects of the capital programme is the Asset Management Group. This group reviews the strategic direction of the programme, ensures outcomes are aligned with the Council's priorities, significant projects have a viable Business Case and that Value for Money is delivered for the Council. It also monitors the expenditure and funding requirements of the capital programme and subsequent revenue impacts.

4.5 The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's over-arching aims. These include:

4.5.1 Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:

- The Council which is ultimately responsible for approving investment and the Capital Programme;
- The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Programme; The Cabinet will continue to receive quarterly monitoring reports.
- The Audit and Governance Committee which is responsible for scrutiny of the Council's statement of accounts and can make recommendations to Cabinet and full Council.

4.5.2 Officer Groups which bring together a range of service interests and professional expertise. These include:

- Departmental Senior Management Teams (SMT's), responsible for development of investments;
- The Asset Management Group, responsible for overseeing and approving reports for investments prior to Cabinet approval;
- The Corporate Leadership Team which has overall responsibility for the strategic development, management and monitoring of the capital programme;

4.5.3 An integrated service and financial planning process where all proposals for capital investment are required to demonstrate how they contribute to the achievement of the Council's aims and priorities.

4.6 Quarterly reports will continue to be submitted to Cabinet that identify changes to this programme to reflect;

- New resource allocations
- Slippage in programme delivery
- Programmes reduced or removed
- Virements between schemes and programmes to maximise delivery.
- Revisions to spend profile and funding to ensure ongoing revenue costs are minimised.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20 AND PRUDENTIAL INDICATORS 2019/20 TO 2021/22**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	This report outlines the expected treasury operations for the forthcoming financial year and sets out the Authority's treasury management indicators for 2019/20 to 2021/22. It fulfils key requirements of the Local Government Act 2003: • The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services ; • The Treasury Management Investment Strategy in accordance with the MHCLG Investment Guidance; • The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities. • The Policy for the Annual Minimum Revenue Provision.
Council priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	None.
Risk Management	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to offer expert advice.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable

Transformational Government	This relates to the new ways in which Councils are being asked to deliver their services
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	The Authority's Treasury Advisor; Corporate Leadership Team;
Background papers	Housing Revenue Account (HRA) Business Plan - Cabinet 13 March 2012 Investment Strategy – Service and Commercial - PDG 9 January 2019 2019/20 to 2024/24 Draft Capital Programmes - Cabinet 11 December 2018 Leisure Services Project - Council 21 November 2017
Recommendations	**THAT PDG COMMENT ON:** **1) THE PROPOSED TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20, TREASURY MANAGEMENT INDICATORS - REVISED 2018/19 AND 2019/20 TO 2021/22, AND THE ANNUAL MINIMUM REVENUE PROVISION STATEMENT, FOR APPROVAL BY FULL COUNCIL (APPENDIX 1)** **2) COMMENT ON THE PROPOSED CHANGE IN APPROACH TO REDEMPTION OF HRA LOANS (PARAGRAPH 1.8)**

1.0 INTRODUCTION

1.1 Local Authorities are required to approve a treasury management strategy (TMSS) and an investment strategy before the start of each financial year, in line with the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services Code of Practice 2017 Edition (the CIPFA Code).

1.2 CIPFA have responsibility for the Treasury Management Code of Practice and Prudential Code. The Ministry for Housing, Communities and Local Government (MHCLG) is responsible for preparing the guidance on Local Authority Investments and the guidance on Minimum Revenue Provision.

1.3 Investments held for service purposes or for commercial profit are considered in the Investment Strategy Report.

1.4 In accordance with MHCLG Guidance, Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this statement is based, change significantly.

1.5 CIPFA has defined Treasury Management as: “the management of the organisation’s 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.”

1.6 This report fulfils the council’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code AND MHCLG Investment guidance. All treasury activity will comply with relevant statute, guidance and accounting standards.

The TMSS (Appendix 1) sets out:

a. Organisational roles and responsibilities (section 2).
b. The role of the Authority’s treasury advisor (section 3).
c. Reporting and monitoring of treasury management activity (section 4).
d. Background information used to determine borrowing and investment requirements (sections 5 and 6).
e. Borrowing (Appendix A) and debt rescheduling (Appendix B) strategies. Total Authority’s interest payments on existing debt are estimated at £2,714,857 in 2019/20.
f. Treasury Management Investment Strategy (Appendix C). Security of capital is the first and most important investment policy objective.
g. Apportionment of Interest Strategy (Appendix D). Total investment income is estimated at £297,000 in 2019/20 (General Fund - £188,450, HRA - £108,550).
h. Treasury Management and Prudential Indicators for 2019/20 to 2023/24 (Appendix E). These are designed to monitor borrowing limits, debt levels and investment returns.
i. Annual Minimum Revenue Provision Statement for 2019/20 (Appendix F). General Fund MRP is estimated at £628,945.

1.7 Members should note that the strategy is currently aligned to the Draft Capital Programmes 2019/20 – 2023/24 and therefore are subject to change as part of the presentation of the final budget to Cabinet and Council on 5 and 26 February 2019 respectively. In particular, the assumptions regarding the value and timing of capital expenditure and the related proposed financing of the council’s new leisure facility is likely to change once the procurement exercise to secure a leisure operator has been completed in early January 2019.

1.8 Finally, it is recommended that the council will no longer automatically set aside its budgeted HRA surpluses for the repayment of maturity loans that fall due from 2037. The self-financing of the HRA was presented to Cabinet on 13th March 2012 in the “Housing Revenue Account (HRA) Business Plan” and included the council taking on £76.785m of debt to buy itself out of the former national Housing Revenue Account Subsidy system. Since that date, surpluses budgeted on the HRA have been set aside in a Loan Redemption Reserve for the purposes of repayment of two maturity loans when they mature. These two maturities are to be repaid in 2021/22 and are £10m and £3m. After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans, the next of which is repayable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will continue to be repaid as required.

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APPENDIX 1

TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20

1.0 The purpose of this Treasury Management Strategy Statement is to set out for approval

- The Borrowing Strategy 2019/20 (APPENDIX A)
- The Debt Rescheduling Strategy 2019/20 (APPENDIX B)
- The Annual Treasury Management Investment Strategy 2019/20 (APPENDIX C)
- The Apportionment of Interest Strategy 2019/20 (APPENDIX D)
- The Treasury Management and Prudential Indicators 2019/20 to 2021/22 (APPENDIX E)
- The Annual Minimum Revenue Provision (APPENDIX F)

1.1 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification; monitoring and control of risk are important and integral elements of treasury management activities. The main risks to the Council's treasury activities are:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Inflation Risk (exposure to inflation)
- Refinancing Risk (impact of refinancing on suitable terms)
- Legal & Regulatory Risk (failure to act in accordance with powers or regulatory requirements)

2.0 Organisational Roles and Responsibilities

2.1 In accordance with CIPFA guidance, the roles and responsibilities of the Council's Treasury Management function are divided between several responsible officers and are summarised below:

Section 151 Officer – overall responsibility for the treasury management function to include:
Ensuring the organisation of the treasury management function is adequate to meet current requirements:

- Investment, borrowing and debt rescheduling decisions.
- Monitoring adherence to approved Treasury Management Strategy Statement.
- Regular reporting to Members on treasury management activity.

Finance Team Manager (Deputy Section 151 Officer) – ensuring that day to day treasury activities comply with the approved Treasury Management Strategy Statement by reviewing and authorising the investment opportunities identified.

Technical Accountant – identification of investment opportunities and borrowing requirements and acts as the Council's interface with brokers and counterparties.

2.2 The needs of the Council's treasury management staff for training in investment management, are assessed through the 'BEE Valued' staff appraisal process and additionally when the responsibilities of individual members of staff change.

2.3 Training courses, seminars and conferences provided by the Council's treasury advisor or CIPFA, are regularly attended to refresh and enhance the knowledge of treasury management staff.

3.0 The Role of the Council's Treasury Advisor

3.1 The Council currently employs Arlingclose Ltd as treasury advisor to provide the following services; strategic treasury management advice, advice relating to Housing & Capital finance, leasing advice, economic advice and interest rate forecasting, debt restructuring and portfolio review (structure and volatility), counterparty credit ratings and other creditworthiness indicators and training, particularly investment training, for Members and officers.

3.2 Arlingclose Ltd is authorised and regulated by the Financial Conduct Authority (FCA). It provides the Council with timely, clear and regular information about the financial sector to enable the Council to take pro-active decisions which in turn, helps to minimise risk.

3.3 The quality of this service is monitored by officers on a regular basis, focusing on the supply of relevant, accurate and timely information across the services provided.

4.0 Reporting and Monitoring of Treasury Management Activity

4.1 The Treasury Management Stewardship Report for 2018/19 will be presented to the Audit and Governance Committee for scrutiny and then Cabinet as soon as possible after the end of the financial year. As in previous years, the Treasury Management Strategy Statement will be supplemented by in-year reporting of treasury management activity and monitoring of prudential indicators, to the Audit and Governance Committee during 2019/20.

4.2 This report, together with all other reports to Council, Cabinet and the Audit and Governance Committee are a public record and can be viewed on the Council's website. This demonstrates compliance with MHCLG Guidance on local government investments, which recommends that the initial strategy, and any revised strategy, should, when approved, be made available to the public free of charge, in print or online.

5.0 External Factors

5.1 The information below is provided by the Council's Treasury Advisors, Arlingclose Ltd and is intended to provide context of the current UK economic climate.

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below

trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.
Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity *(at the time of writing this commentary in mid-December).* As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

6.0 Outlook for UK Interest Rates:

6.1 The Council's treasury advisor's current central case forecast for the UK Bank Rate is set out below.

Bank Rate %	Dec. 2018	March 2019	June 2019	Sept. 2019	Dec 2019	March 2020	June 2020	Sept 2020
Upside Risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25
Arlingclose Central Case	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**
Downside Risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75

6.2 The Council's treasury advisor has forecast the Bank Rate to remain at 1.25% over the medium term.

7.0 Implications for Treasury Activity

7.1 The economic outlook, the financial health of sovereign states, major banks and investment counterparties, still provide major challenges and risk for treasury activity, particularly investment activity, during the financial year.

7.2 The principles in the proposed suite of treasury policies remain broadly unchanged from previous years - borrowing will be prudent, minimize borrowing costs and maintain the stability of the debt maturity portfolio. Debt rescheduling should achieve interest savings, carry minimal risk and maintain the stability of the debt maturity portfolio. Investments will be prioritised and based upon the principles of security, liquidity and yield.

8.0 Markets in Financial Instruments Directive (MiFID)

8.1 As reported in the Treasury Management Strategy 2018/19, MiFID regulations gave the council the option to retain Retail status or to 'opt-up' to Professional status when dealing with advisers, brokers, banks and fund managers. The council 'opted-up' to Professional status and given the size and range of the council's treasury management activities, the Head of Finance (S151 Officer) believes this to be the most appropriate status.

8.2 To enable the council to maintain 'Professional' status, it is required under the MiFID regulations to maintain an investment level of at least £10m.

8.3 It is the intention of the council to maintain balances at this level for investment, to allow it to continue to access the full range of investment options that it currently has access to and this position will be monitored on an ongoing basis. Should the council drop below the £10m investment limit, it would no longer be able to access investments including but not limited to: shares, bonds, debentures, units in collective investment schemes and money market funds.

8.4 The cash flow is monitored weekly for significant movements in expenditure and income. The current cash flow position indicates that the £10m investment limit will be maintained in 2019/20.

9.0 FUTURE SIGNIFICANT EVENTS

9.1 In November 2017, the Council decided to outsource the provision of its two leisure centres, Hood Park Leisure Centre in Ashby and Hermitage Leisure Centre in Whitwick. The council also agreed to close the Hermitage site and build a new replacement facility in Coalville. The new facility will be funded by the Council. At the time of writing this

Strategy, the council is carrying out its final evaluation exercise as part of the procurement exercise to secure an operator. The Council will retain ownership of both the existing and new assets, however from inception of the contract (anticipated May 2019), the new operator will be responsible for all capital improvement works. The capital value of the new facility will be funded through a mixture of internal and external borrowing and capital receipts arising on the disposal of a Cropston Drive, one of the Council's remaining significant land holdings.

9.2 From time to time the council will consider other service delivery models (for example shared service) and these will potentially affect the council's balance sheet and treasury position. Should alternative delivery models be agreed and implemented, a new TMSS will be presented to Members and this strategy should be updated should the assumptions on which this statement is based alter significantly.

9.3 The self-financing of the HRA was presented to Cabinet on 13th March 2012 in the "Housing Revenue Account (HRA) Business Plan" and included the council taking on £76.785m of debt to buy itself out of the former national Housing Revenue Account Subsidy system. Since that date, surpluses budgeted on the HRA have been set aside in a Loan Redemption Reserve for the purposes of repayment of two maturity loans when they mature. These two maturities are to be repaid in 2021/22 and are £10m and £3m. After 2022, the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans, the next of which is repayable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will continue to be repaid as required.

10.0 THE COUNCIL'S CURRENT BALANCE SHEET AND TREASURY POSITION

10.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment. The CFR, balances and reserves are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are set out below:

	31.03.18 Actual £m	**31.03.19 Estimate £m**	**31.03.20 Forecast £m**	**31.03.21 Forecast £m**	**31.03.22 Forecast £m**
General Fund CFR	14.4	16.3	26.9	35.3	34.8
HRA CFR	74.0	72.9	71.8	70.6	56.4
Total CFR	**88.4**	**89.2**	**98.7**	**105.9**	**91.2**
Less: External Borrowing	82.3	81.2	80.1	79.0	63.8
Internal Borrowing	**6.1**	**8.0**	**18.6**	**26.9**	**27.4**
Less: Usable Reserves	34.6	32.0	28.0	27.6	14.7
Less: Working Capital Estimate	(14.2)	(12.7)	(11.2)	(9.7)	(8.2)
Investments or (New Borrowing)	**42.8**	**36.7**	**20.7**	**10.4**	**(4.4)**

10.2 The Council has an increasing General Fund CFR due to the use of borrowing to fund the Capital Programme, which includes the Leisure Services Project which was agreed at Council 21 November 2017.

10.3 The Leisure Project is scheduled for 2019/20 to 2020/21. In 2019/20 the Council will be utilising internal borrowing. The effect of this is that there is less cash available for investment by 31 March 2020. By 31 March 2022, there is no availability for investment but there will be a requirement for borrowing.

10.4 The Council's level of physical debt and investments is linked to the components of the Balance Sheet. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Council's short term strategy is to maintain borrowing and investments below their underlying levels (internal borrowing).

The following table shows the Investment and debt portfolio position:

	Portfolio as at 31 March 2018 £m	Portfolio as at 26 Nov 2018 £m	Average Rate as at 26 Nov 2018 %
External Borrowing:			
PWLB	73.9	73.4	3.34
Local Authorities	1.0	1.0	6.875
Banking Sector	3.9	3.9	4.74
LOBO Loans	3.5	3.5	4.8
Total External Borrowing	*82.3*	*81.8*	
Other Long Term Liabilities	0.1	0.1	3.14
TOTAL GROSS EXTERNAL DEBT	**82.4**	**81.9**	
Investments:			
Short Term - Managed in-house	29.3	39.2	0.67
Long Term - Managed in-house	12.0	7.5	0.92
Fund Managers–Managed Externally	0.0	0.0	
Pooled Funds-Managed Externally	2.6	6.6	0.54
Total Investments	*43.9*	*53.3*	
NET DEBT	**38.5**	**28.6**	

10.5 CIPFA's 'Prudential Code for Capital Finance in Local Authorities' recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2019/20.

11.0 THE COUNCIL'S APPROACH TO BEING COMMERCIAL

11.1 A new and separate strategy has been produced to provide the strategic framework under which the Service and Commercial Investments are undertaken. This document is presented to members alongside the Treasury Management Strategy Statement.

11.2 The Investment Strategy included in this document (Treasury Management Strategy Statement) at Appendix C, provides the strategic framework in which it's Treasury Management investment activity is undertaken.

APPENDIX A

BORROWING STRATEGY 2019/20

At the 31st March 2019, the Council will hold loans totalling £81.3m (£72.9m HRA and £8.4m General Fund). This is a decrease of £1m on the previous year (£73.9m HRA and £8.4m General Fund) and is part of the Council's strategy for funding previous years' Capital Programmes and for the self-financing of the HRA, which was presented to Cabinet on 13th March 2012 in the "Housing Revenue Account (HRA) Business Plan".

The balance sheet forecast in paragraph 6.1 shows that the council does not expect to need to borrow in 2019/20. Borrowing will be required by 2021/22 and this strategy sets out the methodology and approach that will be taken into consideration at that time.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to re-negotiate loans, should the Council's long term plans change, is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources or to borrow short term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Internal Borrowing
- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Local Government Pension Scheme administered by Leicestershire County Council)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local council bond issues

Capital finance may also be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing

- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local council loans and bank loans that may be available at more favourable rates.

UK Municipal Bonds Agency Plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the Capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the Agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

The Council holds one LOBO (Lender's Option Borrower's Option) loan of £3.5m as part of its total borrowing of £82.3m, where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. This LOBO has options during 2019/20 and although the Council understands that the lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the opportunity to repay LOBO loans at no cost if it has the opportunity to do so.

The total amount borrowed will not exceed the 2019/20 authorised borrowing limit of £133 million.

Borrowing activity will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

APPENDIX B

DEBT RESCHEDULING STRATEGY 2019/20

The Council will continue to maintain a flexible policy for debt rescheduling.

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. However, the lower interest rate environment has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise.

The rationale for rescheduling will be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

Any rescheduling activity will be undertaken within the Council's Treasury Management Policy and Strategy. The Council will agree in advance with its treasury advisor, the strategy and framework within which debt will be repaid / rescheduled, should opportunities arise. Thereafter, the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by the Council's treasury advisor and discussed with the Council's officers.

All rescheduling activity will comply with accounting and regulatory requirements and will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

APPENDIX C

ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2019/20

The Council invests its money for three broad purposes:

1. Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments)
2. To support local public services by lending to or buying shares in other organisations (service investments), and
3. To earn investment income (known as commercial investments where this is the main purpose)

This strategy focuses on the first of these three purposes.

A separate report 'Investment Strategy – Service and Commercial' presented to Cabinet alongside the Treasury Management Strategy Statement, focuses on the second and third of the three purposes above.

The Council holds invested funds which represent income received in advance of expenditure plus balances and reserves held as reflected in the balance sheet forecast in paragraph 6.1.

From 2019/20 onwards, investment levels are likely to decrease due to the use of reserves and internal borrowing to fund the capital programme, repayment of debt in 2021/22 and 2022/23 and movements in reserves in the revenue budget. However, investment balances will be maintained above £10m to comply with MiFID requirements highlighted in section 4 of this report.

Investment Policy

The CIPFA Code requires the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The Council's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity.

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero. This would be likely to feed through to negative interest rates on all low risk, short term investment options. This situation already exists in many other European Countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Investment Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to invest in more secure asset classes during 2019/20. This is especially the case for the estimated £10m that is available for longer-term investment. The council's surplus cash is currently invested in; short-term unsecured bank or building society deposits, money market funds and short and long term investments with other Local Authorities.

The Council's investments are made with reference to the Council's cash flow, the outlook for the UK Bank Rate, money market rates, the economic outlook and advice from the Council's treasury adviser.

The Council compiles its cash flow forecast on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council having to borrow on unfavourable terms. Limits on investments are set with reference to the Council's Medium Term Financial Plan and cash flow forecast. This also determines the maximum period for which funds may prudently be committed.

The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.

Under the new IFRS 9 standard, the accounting for certain investments depends on the council's 'business model' for managing them. The council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and so these investments will continue to be accounted for at amortised cost.

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Corporate Portfolio holder, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

All Investment activity will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash and time limits shown:

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 Years	n/a	n/a
AAA	£2m 5 years	£5m 20 years	£5m 50 years	£2m 20 years	£3m 20 years
AA+	£2m 5 years	£5m 10 years	£5m 25 years	£2m 10 years	£3m 10 years
AA	£2m 4 years	£5m 5 years	£5m 15 years	£2m 5 years	£3m 10 years
AA-	£2m 3 years	£5m 4 years	£5m 10 years	£2m 4 years	£3m 10 years
A+	£2m 2 years	£5m 3 years	£5m 5 years	£2m 3 years	£3m 5 years
A	£2m 13 months	£5m 2 years	£5m 5 years	£2m 2 years	£3m 5 years
A-	£2m 6 months	£5m 13 months	£5m 5 years	£2m 13 months	£3m 5 years
None	£1m 6 months	n/a	£5m 25 years	£1m 5 years	£1m 5 years
Banking Provider - Lloyds	£3m 13 months		n/a	n/a	n/a
Pooled Funds and real estate investment trusts	£6m per fund				

This table must be read in conjunction with the notes below:

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made soley based on credit ratings and all other relevant factors, including external advice, will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in, should the regulator determine that the bank is failing or likely to fail.

Operational Bank Accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of a failure, banks with assets greater than £25 billion are more likely to be bailed-in rather than be made insolvent, increasing the chance of the Council maintaining operational continuity.

Banks Secured: Covered Bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank, will not exceed the cash limit for secured investments.

Government: Loans, Bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment or as part of a diversified pool in order to spread the risk more widely.

Registered Providers: Loans or bonds issued by, guaranteed by or secured on the assets of the Registered Providers of Social Housing and registered social landlords, formerly known as Housing Associations. These bodies are tightly regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving Government support if needed.

Pooled Funds: Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term money market funds that offer same day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period, will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short-term. These allow the Council to diversify into asset classes, other than cash, without the need to own and manage the underlying investments. Because these funds have no defined maturity date but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental incomes to investors in a similar manner to pooled property funds. As with property funds, REIT's offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

The council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

To minimise the risk of investment losses in the case of a default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts *(e.g. King & Shaxson)*, foreign countries and industry sectors as below:

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country
Registered Providers and registered social landlords	£5m in total
Unsecured Investments with Building Societies	£5m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£20m in total (max £6m per fund)
Real Estate Investment Trusts	£10m in total

Supplementary due diligence: Following discussions with members, the following additional steps are to be implemented

- Investments with counterparties with a credit rating below A- are to be discussed and agreed with the Portfolio Holder for Finance before the transaction has taken place.
- Checks on Local Authority investments are to be undertaken by the S151 / Deputy S151 officer prior to lending. The checks undertaken will be in the form of information in the public domain. This could include any CiPFA (or other) resilience score, balance sheet review of the local authority and any media releases available.

Policy on use of Financial Derivatives

Local Authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs of increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011, removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty limit and the relevant foreign country limit.

APPENDIX D

APPORTIONMENT OF INTEREST STRATEGY 2019/20

The Localism Act 2011 required Local Authorities to allocate existing and future borrowing costs between the Housing Revenue Account and the General Fund.

Accordingly, on 1st April 2012, the council notionally split its existing debt into General Fund and Housing Revenue Account as detailed in the 'Borrowing Strategy'. Any future borrowing will be assigned in its entirety to the appropriate revenue account.

Interest payable and any other costs arising from long-term loans (for example, premiums and discounts on early redemption) will be charged to the appropriate revenue account.

Interest received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on an estimated cash flow position and balance sheet forecast. For 2019/20, the budgeted investment income is £297,000 and is apportioned as follows: £188,450 General Fund and £108,550 Housing Revenue Account. Any over or under achievement of investment income is apportioned on this basis, at the end of the financial year.

APPENDIX E

PRUDENTIAL INDICATORS

1 Background

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

CAPITAL INDICATORS

2. Estimates of Capital Expenditure

The Council's planned capital expenditure and financing is summarised in the table below. Further detail is provided in the Capital Programmes report taken to Cabinet on 11 December 2018.

Capital Expenditure	2018/19 Approved £m	2018/19 Revised £m	2019/20 Est £m	2020/21 Est £m	2021/22 Est £m
Non-HRA	3.187	6.710	14.896	10.070	1.467
HRA	10.085	8.467	12.560	6.480	5.034
Total	**13.272**	**15.177**	**27.456**	**16.550**	**6.501**

Capital expenditure will be financed or funded as follows:

Capital Financing	2018/19 Approved £m	2018/19 Revised £m	2019/20 Est £m	2020/21 Est £m	2021/22 Est £m
Capital receipts	1.684	1.850	4.433	1.523	1.461
Government Grants	0.573	0.573	0.621	0.621	0.621
Major Repairs Allowance	3.127	3.139	3.139	3.173	3.179
Reserves	5.548	4.345	5.710	1.597	0.095
Other Contribution-S106	0	2.683	0.397	0.027	0
Grants - Other	0	0.081	0.200	0.200	0.200
Revenue contributions	0.050	0.050	1.729	0.027	0.126
Total Financing	**10.982**	**12.721**	**16.229**	**7.168**	**5.682**
Unsupported borrowing	2.290	2.456	11.227	9.382	0.819
Total Funding	**2.290**	**2.456**	**11.227**	**9.382**	**0.819**
Total Financing and Funding	**13.272**	**15.177**	**27.456**	**16.550**	**6.501**

3. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	2017/18 Actual £m	2018/19 Estimate £m	2018/19 Revised £m	2019/20 Est £m	2020/21 Est £m	2021/22 Est £m
Non-HRA	13.820	17.765	15.724	26.322	34.716	34.122
HRA	73.994	72.890	72.890	71.762	70.608	56.429
Total CFR	**87.814**	**90.665**	**88.614**	**98.084**	**105.324**	**90.551**

The General Fund CFR is forecast to rise over the medium term. This is in line with the Capital programme schemes that are financed by debt. The detail of these schemes can be seen in more detail in the capital report presented to Cabinet on 11 December 2018.

4. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that the debt does not (except in the short term) exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Debt – as at 31st March	2018 Actual £m	2019 Est £m	2020 Est £m	2021 Est £m	2022 Est £m
Borrowing	82.348	81.245	80.117	78.963	64.783
Transferred Debt	0.104	0.097	0.090	0.082	0.075
Total Debt	**82.452**	**81.342**	**80.207**	**79.045**	**64.858**

Total debt is expected to remain below the CFR during the forecast period.

5. Authorised Limit and Operational Boundary for External Debt

The **Operational Boundary** is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities may comprise of finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Section 151 Officer has delegated council, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Council.

Operational Boundary for External Debt	2018/19 Approved £m	2018/19 Revised £m	2019/20 Est £m	2020/21 Est £m	2021/22 Est £m
Borrowing	112.255	110.986	130.356	136.904	127.747
Other Long-term Liabilities	0.500	0.500	0.500	0.500	0.500
Total	**112.755**	**111.485**	**130.856**	**137.404**	**128.247**

The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit is the affordable borrowing limit determined in compliance under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). It is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary to allow for unusual cash movements

Authorised Limit for External Debt	**2018/19 Approved £m**	**2018/19 Revised £m**	**2019/20 Est £m**	**2020/21 Est £m**	**2021/22 Est £m**
Borrowing	114.255	112.986	132.356	138.904	129.747
Other Long-term Liabilities	0.700	0.700	0.700	0.700	0.700
Total	**114.955**	**113.686**	**133.056**	**139.604**	**130.447**

The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

6. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2017/18 Actual %**	**2018/19 Approved %**	**2018/19 Revised %**	**2019/20 Est %**	**2020/21 Est %**	**2021/22 Est %**
Non-HRA	6.24	6.97	5.95	6.36	11.18	15.05
HRA	12.51	12.45	12.21	12.16	11.90	11.60
Total (Average)	**9.73**	**10.08**	**9.49**	**9.58**	**11.59**	**13.05**

The Council has an increasing ratio of Non-HRA financing costs due to forecast increases of interest on loans and MRP contributions and reducing revenue income streams.

7. Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	**2018/19 Approved £**	**2018/19 Revised £**	**2019/20 Estimate £**	**2020/21 Estimate £**	**2021/22 Estimate £**

Increase in Band D Council Tax	3.36	2.84	4.86	7.77	9.69
Increase/(Decrease) in Average Weekly Housing Rents *	(0.82)	(0.82)	(0.81)	2.41	2.48

* Government Policy requires an actual decrease in Housing Rents of 1% per year until 2019/20. This is reflected in the estimates above.

Whilst this is a notional indicator as Band D Council Tax has not been increased, it represents the impact of the increased costs from capital decisions on the Band D Council Tax. The increasing impact is in line with the Estimates of Capital Expenditure as shown in table 2 above.

TREASURY MANAGEMENT INDICATORS

8. Upper Limits for Fixed and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).

The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	Existing (Benchmark) level 31/03/18 %	2018/19 Approved %	2018/19 Revised %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Upper Limit - Fixed Interest Rate Exposure	100	100	100	100	100	100
Upper Limit - Variable Interest Rate Exposure	50	50	50	50	50	50

The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the transaction year or the transaction date if later. All other instruments are classed as variable rate.

9. Maturity Structure of Fixed Rate borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Lower Limit for 2019/20 %	Upper Limit for 2019/20 %
under 12 months	0	70
12 months and within 24 months	0	40
24 months and within 5 years	0	50
5 years and within 10 years	0	40
10 years and within 20 years	0	40
20 years and within 30 years	0	70
30 years and within 40 years	0	40

10. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

	2018/19 Approved £m	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Upper Limit	12	12	10	5	5

The reduction of the Upper Limit from 2019/20 onwards is in line with the capital expenditure expected on the leisure project and to ensure liquidity is maintained.

APPENDIX F

ANNUAL MINIMUM REVENUE PROVISION STATEMENT

Background

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum since 2008, the Local Government Act 2003 requires the Council to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the Guidance), which has been updated and re-issued in February 2018. The effective date of the latest guidance applies for accounting periods starting on or after 1 April 2019.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year. The broad aim of the MHCLG guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

MRP is not required to be charged to the Housing Revenue Account and where a local council's overall CFR is £nil or a negative amount there is no requirement to charge MRP.

Following the payment made to exit the Housing Revenue Account subsidy system for the new self-financing arrangements from April 2012, MRP will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment. The structure of the debt that was incurred to fund the self-financing was based on the principal being repaid over the life of the HRA business plan, which also takes into account the 'old' HRA debt. For 2019/20, as in previous years, the MRP for HRA is determined by the amounts of principal repaid on the loans that were taken out on an annuity basis.

The Section 151 Officer has undertaken a review of its MRP in 2018/19, to assess the council's current policy against the MHCLG Guidance and appropriateness for the needs of the organisation. In previous years, the council's policy in respect of MRP is to charge an amount equal to 4% of the non-housing CFR at the end of the preceding financial year, based on Option 2.

Going forward, the Section 151 Officer has revised this policy for 2019/20 onwards to asset life method, Option 3, whereby MRP is determined by reference to the useful life of the asset. It is considered more prudent to take the asset life method approach in line with MHCLG guidance.

MRP Options:

Four options for prudent MRP are set out in the MHCLG Guidance. Details of each are set out below:

Option 1 – Regulatory Method.
For Capital expenditure incurred before 1st April 2008, MRP under this option, is the amount determined in accordance with the 2003 regulations. In effect, this is 4% of the total Capital Financing Requirement (CFR) excluding HRA borrowing and Adjustment A. Adjustment A is an accounting adjustment to ensure consistency with previous capital regulations. Once calculated this figure is fixed. For this Council, Adjustment A is fixed at £606,250.49.

Option 2 – CFR Method.
MRP under this option is the same as option 1 but ignores Adjustment A. In effect, this is 4% of the CFR less HRA borrowing.

Option 3 – Asset Life Method.
Where capital expenditure on an asset is financed either wholly or in part by borrowing or credit arrangements, MRP is determined by the life of the asset. For example, if the asset life is 5 years, then the MRP for that asset will be based on 20% of the capital expenditure (unsupported borrowing), per year for 5 years.

Option 4 - Depreciation Method.
Under this option, MRP would be based on the provision required under depreciation accounting. It would also take into account any residual value at the end of the life of the asset. For example, if the asset life was 5 years and the residual value was anticipated to be 10% of the asset value, then the MRP for that asset would be based on 20% of the capital expenditure (unsupported borrowing) less 10% residual value per year for 5 years.

Under Regulation 28 of the Local Authorities *(Capital Finance and Accounting) (England) Regulations 2003,* the council is also given flexibility in how they calculate MRP, providing the calculation is prudent.

MRP Policy for 2019/20:

- The council will apply Option 1 in respect of supported capital expenditure.
- The council will apply a prudent provision based on 'option 2' for unsupported borrowing incurred up to and including 31 March 2019.
- The council will apply an asset life method based on Option 3, in respect of new unsupported capital expenditure incurred from 1 April 2019 onwards.

Based on the council's latest estimate of its Capital Financing Requirement on 31st March 2019, the 2019/20 budget for General Fund MRP will be £628,945. The HRA Subsidy Reform payment for 2019/20 is £1,128,190.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**DRAFT INVESTMENT STRATEGY - SERVICE AND COMMERCIAL 2019/20**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Chief Executive 01530 454500 bev.smith@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To seek approval of the Investment Strategy – Service and Commercial and to meet statutory requirements.
Council priorities	Value for Money
Implications:	
Financial/Staff	This strategy lays out how the Council will support local public services through investments and invest commercially. Investment activities may impact on the resources available to the council through utilisation of reserves and through interest earned.
Link to relevant CAT	Could impact on all CAT's
Risk Management	Investment and reliance on income from commercial activity carry elements of risk. These risks are moderated through compliance with the CIPFA code of Treasury Management, the retention of Treasury Management advisors (Arlingclose) to offer expert advice, the adoption of the Treasury and Investment Strategies and sound financial management through the Medium Term Financial Strategy, budget setting and monitoring processes implemented by the council.
Equalities Impact Screening	Not applicable
Human Rights	Not applicable
Transformational Government	This relates to the new ways in which Councils are being asked to deliver their services
Comments of Head of Paid Service	Report is satisfactory

Comments of Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	
Background papers	2019-2024 Medium Term Financial Strategy – Cabinet 11 December 2018 Statutory Guidance on Local Government Investments – GOV.UK
Recommendations	**THAT POLICY DEVELOPMENT GROUP COMMENT ON THE DRAFT INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2019/20 WHICH WILL BE PRESENTED TO FULL COUNCIL FOR APPROVAL ON 26 FEBRUARY 2019**

1.0 INTRODUCTION

1.1 The council invests its money for three broad purposes:

i. Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments);
ii. To support local public services by lending to or buying shares in other organisations, including loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party (service investments); and
iii. To earn investment income (known as commercial investments where this is the main purpose).

1.2 The investment strategy attached as Appendix A is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government under in January 2018 under section 15(1)(a) of the Local Government Act 2003.

1.3 The Investment Strategy – Service and Commercial, focuses solely on service investments and commercial investments (as outlined in 1.1 ii. and iii. above). Treasury management activities (as per paragraph 1.1 i. above) are detailed within the council's separate Treasury Management Strategy.

1.4 When considering security and liquidity of loans, local authorities should set limits for their total exposure. The proposed approved limits in relation to Service Investments: Loans and Shares are presented in the strategy for approval.

1.5 This strategy supports the Council's wider strategic framework, including the council's Commercial Strategy and considers financial implications and risks of any investments for a service or commercial purpose.

APPENDIX A

INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2019/20

1.0 This strategy focusses on two purposes:

i. To support local public services by lending to or buying shares in other organisations (service investments in sections 3 and 4), and

ii. To earn investment income (known as commercial investments where this is the main purpose in section 5).

2.0 TREASURY MANAGEMENT INVESTMENTS

2.1 The council may invest its money is because it has surplus cash as a result of its day to day activities and are known as treasury management investments.

2.2 The council typically receives its income in cash (eg from council tax, business rates and grants) before it pays for its expenditure in cash (eg. Through payroll and invoices). It also holds reserves for future expenditure.

2.3 These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury management investments is expected to fluctuate throughout the year.

2.4 The contribution that these investments make to the objectives of the council is to support effective treasury management activities.

2.5 Full details of the council's policies and plans for 2019/20 for treasury management investments are covered in the 'Treasury Management Strategy Statement 2019/20' and is presented to cabinet alongside this strategy.

3.0 SERVICE INVESTMENTS: LOANS

3.1 The council does not currently but may in the future, lend money to various organisations including: subsidiaries or trading companies; suppliers; local businesses; local charities and housing associations for example, to support local public services and stimulate local economic growth.

3.2 The main risk for the council when making a service loan, is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this future risk and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower has been set. These upper limits have been established on the basis of minimising risk without prohibiting the Council in lending.

Category of borrower	**2019/20 Approved Limit**
Subsidiaries	£10,000,000
Trading Company	£500,000
Suppliers	£100,000
Local Businesses	£1,000,000
Local Charities	£100,000
Housing Associations	£3,000,000
TOTAL	**£14,700,000**

3.3 To ensure that the council's interests are protected, the risk of entering into a service loan is assessed on a case by case basis by:

- Requesting a business case to support the service loan and reviewing the business case for validity and robustness.
- Completing a financial appraisal of the business case
- Seeking external advice where necessary to ensure compliance with for example, state aid regulations and creditworthiness of the counterparty seeking a service loan
- Monitoring and maintaining regular reviews of counterparties for credit risk

3.4 Accounting standards require the council to set aside a loss allowance for loans reflecting the likelihood of non-payment – i.e. a bad debt provision. The figures for loans in the council's statement of accounts from 2018/19 onwards will be shown net of this provision. However, the council will make every reasonable effort to collect the full sum owing and has appropriate credit control arrangements in place to recover any overdue repayments.

4.0 SERVICE INVESTMENTS: SHARES

4.1 The council does not currently but may in the future invest in the shares of various organisations including: subsidiaries or trading companies; suppliers; local businesses; local charities and housing associations for example, to support local public services and stimulate local economic growth.

4.2 One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. These upper limits have been established on the basis of minimising risk without prohibiting the Council in investing commercially. In order to limit this risk, upper limits on the sum invested in each category of shares have been set. These upper limits have been established on the basis of minimising risk without prohibiting the Council in lending.

Category of Company	**2019/20 Approved Limit**
Subsidiaries	£5,000,000
Trading Company	£1,000,000
Suppliers	NIL
Local Businesses	NIL
TOTAL	**£6,000,000**

4.3 The council assesses the risk of loss, on a case by case basis, before entering into and whilst holding shares by:

- Requesting a business case to support the investment and reviewing the business case for validity and robustness;
- Completing a financial appraisal of the investment;
- Seeking external advice where necessary to ensure the creditworthiness of the counterparty; and
- Monitoring and maintain regular review of counterparties for credit risk.

4.4 To maintain liquidity, the council determines the maximum period for which funds may be prudently committed through financial planning in the Medium Term Financial Strategy and the Treasury Management Strategy Statement. The council's cash flow is monitored and reviewed to inform these strategies.

4.5 Shares are the only investment type that the council has identified that meets the definition of a non-specified investment in the Government guidance. The limits on share investments are therefore also the council's upper limits on non-specified investments. The council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5.0 COMMERCIAL INVESTMENTS: PROPERTY

5.1 MHCLG defines property to be a non-financial investment which is held primarily or partially to generate a profit. The council currently holds commercial property with the intention of making a profit that will be spent on local public services.

5.2 The main property investments currently include various industrial units in the district which were acquired in the region of 20 years ago, a market hall and land.

5.3 The following table details property currently held for investment purposes

Property or Type	Value at 31 Mar 2018 £m	Net Budgeted Surplus / (Deficit) for 2018/19 £'000	Net Forecast Surplus / (Deficit) for 2018/19 £'000	Reason Held
Industrial Units	£4.8	£291	£318	Profits supplement council expenditure
Market Hall	£1.5	(£54)	(£65)	Any profit supplements council expenditure
Whitwick Business Centre	£1.7	£32	(£11)	Self-supporting – supports the local economy
Land	£4.6	£0	£0	Future economic benefit
	£12.6	**£269**	**£242**	

5.4 The council may in the future invest in commercial properties to earn income to further supplement spending. Non-financial investments normally have a physical asset that can be realised to recoup the capital invested but is considered on a longer term basis.

5.5 The council assesses the risk of loss before entering into and whilst holding property investments including:

- Assessment of the business case on a case by case basis, reviewing for validity and robustness;
- Financial appraisal of the business case;
- Seeking external expertise and advice where necessary; and
- Assessing the market competition including: barriers to entry or exit; market needs; nature and level of competition; ongoing investments required.

5.6 In accordance with government guidance, the council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. An assessment of the council's investment property portfolio is undertaken each year in the Statement of Accounts year end process.

- Where value in accounts is at or above purchase cost: the property investment is deemed to be secure as the property could be sold to cover the purchase cost.

- Where value in accounts is below purchase cost: the investment property portfolio is no longer sufficient to provide security against loss.

6.0 PROPORTIONALITY

6.1 The council plans to become less reliant upon Government grant through its journey to self-sufficiency presented in the Medium Term Financial Strategy (Cabinet 11 December 2018) and by generating profit from investment activity to achieve a balanced revenue budget. The table below shows the extent to which the council's expenditure is dependent on achieving the expected net profit from investments over the lifecycle of the MTFS.

	2018/19 Forecast £'000	2019/20 Budget £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Net Revenue Expenditure	12,878	13,399	13,736	14,427	14,565	14,982
Investment income	242	244	268	267	264	263
Proportion	1.88%	1.82%	1.95%	1.85%	1.81%	1.75%

6.2 Currently the investment income generated from commercial investments is minimal and therefore has a very small impact on the net position.

7.0 BORROWING IN ADVANCE OF NEED

7.1 Government guidance is that local authorities must not borrow more than or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed. The council has no plans to borrow in advance of need for 2019/20.

8.0 CAPACITY, SKILLS AND CULTURE

8.1 Organisational Roles and Responsibilities

In accordance with CIPFA guidance, the roles and responsibilities of the council's Treasury Management function are divided between several responsible officers and are summarised below:

Section 151 Officer – overall responsibility for the treasury management function to include:

Ensuring the organisation of the treasury management function is adequate to meet current requirements:

- Investment, borrowing and debt rescheduling decisions.
- Monitoring adherence to approved Treasury Management Strategy Statement.
- Regular reporting to Members on treasury management activity.

Finance Team Manager (Deputy Section 151 Officer) – ensuring that day to day treasury activities comply with the approved Treasury Management Strategy Statement.

Technical Accountant – identification of investment opportunities and borrowing requirements and acts as the council's interface with brokers and counterparties.

The needs of the council's treasury management staff for training in investment management, are assessed through the 'BEE Valued' staff appraisal process and additionally when the responsibilities of individual members of staff change.

Training courses, seminars and conferences provided by the council's treasury advisor or CIPFA, are regularly attended to refresh and enhance the knowledge of treasury management staff.

8.2 The Role of the Council's Treasury Advisor

The council currently employs Arlingclose Ltd as treasury advisor to provide the following services; strategic treasury management advice, advice relating to Housing and Capital finance, leasing advice, economic advice and interest rate forecasting, debt restructuring and portfolio review (structure and volatility), counterparty credit ratings and other creditworthiness indicators and training, particularly investment training, for Members and officers.

Arlingclose Ltd is authorised and regulated by the Financial Conduct Authority (FCA). Arlingclose Ltd is to provide the council with timely, clear and regular information about the financial sector to enable the council to take pro-active decisions which in turn, helps to minimise risk.

The quality of this service is monitored by officers on a regular basis, focusing on the supply of relevant, accurate and timely information across the services provided.

9.0 INVESTMENT INDICATORS

9.1 Government guidance prescribes three specific indicators to allow elected members and the public to assess the council's total risk exposure as a result of its investment decisions.

9.2 **Total Risk Exposure** – This indicator shows the council's total exposure to potential investment losses. This includes amounts that the council is contractually committed to lend that have not yet been drawn down, and guarantees that the council has issued over third party loans:

Total Investment Exposure	31/3/18 Actual £'000	31/3/19 Estimate £'000	31/3/20 Estimate £'000	31/3/21 Estimate £'000
Treasury Management investments*	3,000	3,000	0	0
Service Investments: Loans	0	0	0	0
Service Investments: Shares	0	0	0	0
Commercial Investments: Property	12,600	12,600	12,600	12,600
TOTAL INVESTMENTS	15,600	15,600	12,600	12,600
Commitments to lend	0	0	0	0
Guarantees issued on loans	0	0	0	0
TOTAL EXPOSURE	15,600	15,600	12,600	12,600

*Treasury Management Investments longer than 12months

9.3 **How investments are funded** – Since the council does not normally associate particular assets with particular liabilities and coupled with the fact that the current assets (investment properties) have been held for more than 20 years, this indicator is difficult to comply with. However, the investments could be described as being funded by borrowing and therefore this is the assumption made in this table. The remainder of the council's investments are funded by usable reserves and income received in advance of expenditure. Going forward, this measure will be monitored to reflect any future investments more accurately.

Investments funded by Borrowing	31/3/18 Actual £'000	31/3/19 Estimate £'000	31/3/20 Estimate £'000	31/3/21 Estimate £'000
Treasury Management investments	0	0	0	0
Service Investments: Loans	0	0	0	0
Service Investments: Shares	0	0	0	0
Commercial Investments: Property	10,900	10,900	10,900	10,900
TOTAL FUNDED BY BORROWING	10,900	10,900	10,900	10,900

9.4 **Rate of return received** – This indicator shows the net investment income received, as a proportion of the value of the property.

Investments net rate of return	31/3/18 Actual	31/3/19 Estimate	31/3/20 Estimate	31/3/21 Estimate
Treasury Management investments	0.99%	0.99%	0%	0%
Service Investments: Loans	0%	0%	0%	0%
Service Investments: Shares	0%	0%	0%	0%
Commercial Investments: Property	2.68%	1.92%	1.94%	2.13%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**DRAFT 2019/20 GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To receive comments on the draft revenue General Fund Revenue budget proposals for 2019/20.
Council priorities	The budget assists the Council to achieve all its priorities.
Implications:	
Financial/Staff	Financial issues are contained with the appended Cabinet report
Link to relevant CAT	The budget is relevant to all Corporate Action Teams (CATs)
Risk Management	The revenue and capital budgets are monitored every month by management and reported to Cabinet through the quarterly Performance Reports. Projected over and under spends are identified and appropriate action taken.
Equalities Impact Screening	The requirements for equalities impact screening and assessments is being assessed during the consultations and details if required will be provided as part of the management response.
Human Rights	None identified
Transformational Government	None identified
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory

Comments of Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	None
Recommendations	**THAT POLICY DEVELOPMENT GROUP PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 5 FEBRUARY 2019 TO CONSIDER THE BUDGET REPORT AND RECOMMEND ITS PROPOSALS TO COUNCIL ON 26 FEBRUARY 2019.**

1.0 BACKGROUND

1.1 The General Fund and Special Expenses Revenue Budget proposals for 2019/20 were presented to the Cabinet for approval for consultation at its meeting on the 11 December 2018.

1.2 The Policy Development Group is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 5 February 2019. Separate reports appear on this agenda covering the Housing Revenue Account Budget proposals, the Council's Capital Programmes and the Medium Term Financial Strategy.

1.3 Further details are included in the attached Cabinet report: Appendix 1: General Fund and Special Expenses Revenue Budget Proposals for 2019/20.

1.4 As part of the 2019/20 budget process, a 2.5% savings challenge was set for budget holders. Section 3.2.1 of Appendix 1 details the basis and Appendix 2 details the savings identified.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 11 DECEMBER 2018

Title of report	**GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2019/20**
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	For Cabinet to approve 2019/20 General Fund and Special Expenses revenue budget proposals for consultation.
Reason for Decision	Required to complete 2019/20 budget process.
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	 As contained in the report. The budget is relevant to all Corporate Action Teams (CATs). The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned. The requirement for equalities impact screening and assessments is being assessed during the consultations and details if required will be provided as part of the management responses. None identified. Not applicable
Comments of Deputy Head of Paid Service	Report is satisfactory

Comments of Section 151 Officer	As report author the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	Corporate Leadership Team 21 November 2018 Strategy Group 27 November 2018
Background papers	None.
Recommendations	**CABINET IS RECOMMENDED TO :** **1. AGREE THE 2019/20 BUDGET PROPOSALS FOR STATUTORY CONSULTATION; AND** **2. THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER BE NOTED**

1.0 INTRODUCTION

1.1 This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget proposals for 2019/20, with the outcome of this consultation exercise being fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget in February 2019.

1.2 Draft proposals for consultation have been prepared based on budget holders own projections in respect of expenditure budgets and locally generated income forecasts.

1.3 The Council's funding has been forecast in the context of the continuation of the Governments four year settlement in respect of funding. The draft budget position for 2019/20 therefore reflects current understanding in respect of Revenue Support Grant (RSG), New Homes Bonus and the level of business rates retained as part of the 4 year settlement offered by Central Government for the period 2016/17 to 2019/20. The Government is expected to announce the Provisional Local Government Finance Settlement around 6 December 2018, and refined estimates will be presented to Cabinet and Council as part of the final approval budget process on 5 and 28 February 2019 respectively.

1.4 Building on the new Finance Business Partnering service delivery of the Finance service, the approach to developing expenditure and locally generated income budgets has included a greater level of engagement with budget holders and a focus on more sophisticated estimates taken in order to reduce variance between budgeted and outturn position. This new approach has also projected the revenue position for 2020/21 to 2023/24 for indicative purposes only and for informing the review of the projections of the council's Medium Term Financial Strategy.

1.5 Members will be aware that the decision to outsource the Council's Hermitage and Hood Park leisure centre facilities and creation of a new £20m facility and subsequent closure of the Hermitage centre was approved by Council on 21 November 2017. The planned outsourcing date is 1 May 2019. Based on this, forecasts in relation to the cost of the leisure centres has been based on the anticipated revenue costs associated with running the leisure centres until transfer date, the ongoing costs likely to be incurred post outsourcing date (but that will cease later in the year or in the following year), and the anticipated reduction in corporate support overheads that will be achieved by reviewing the council's internal support functions. In addition, early indication via the bidding process to secure an operator have identified that the council will likely be required to make a management fee payment to the operator in the early years of the contract before the arrangement transfers to one which the council benefits from a payment from the operator for the remainder of the contract. The anticipated level of management fee payable to the operator has therefore be included in the draft budgeted position and will be revised as part of the final budget following selection of an approved bidder.

1.6 Under the existing 50% Business Rates retention system, the level of business rates to be retained by the Council is not ultimately confirmed until after the end of the financial year when the actual level of Business Rates is reported. This means that the Council is not able to accurately predict local business rates income until after the budget has been approved by Cabinet and Council in February. However, work to determine this figure will inform the budget presented and approved.

1.7 Furthermore, the Council, along with all counterparties in respect of Business Rates in Leicester and Leicestershire, entered a bid to undertake in a 1 year pilot of 100% business rate retention. If successful, financial modelling undertaken by the Leicestershire Treasurer's Association (LTA) indicates that around £13.8m could be retained and shared across Leicestershire to be invested in infrastructure and housing growth, town centre enhancements and financial sustainability. The outcome of the process will be announced as part of the Draft Local Government Finance Settlement on 6 December. If we are successful, the financial implications (which are favourable to the Council) will be detailed in the final budget report.

1.8 The Councils General Fund financial position is broadly made up of two elements:

1.8.1 Net revenue expenditure - this includes all expenditure incurred net of income generated through fees and charges and other income (including additional grants authorities apply for, which are not part of central government funding) and financing costs, broadly made up of investment income, interest charged in respect of loans and the minimum revenue provision charge made in respect of unsupported borrowing to fund capital expenditure; and

1.8.2 Funding - The main sources of funding available to finance revenue expenditure which include locally retained Business Rates, Council Tax, New Homes Bonus and Revenue Support Grant.

1.9 The report presents changes as per above.

1.10 The approved 2019/20 budget will undergo regular monitoring and scrutiny during the financial year through quarterly performance monitoring and finance clinics, so that when they arise any variances can be identified at an early stage and remedial action taken to deal with them where necessary.

2.0 GENERAL FUND 2018/19 – PROJECTED OUTTURN

2.1 The second quarter Performance Report is due to be considered by Cabinet at this meeting and presents outturn projections for the current year. A surplus of £720k is forecast compared to the original budget of £299k. A number of favourable movements have contributed to this position including an increase in the anticipated level of business rates (£96k) and salary savings. Full details of the main variances to Quarter 2 can be found in the Quarter 2 Performance Management Report on the same agenda as this report. A full update in respect of further variances will be presented as part of the forthcoming Quarter 3 report due to be presented in March 2019.

2.2 As part of the setting of the annual budget on 27 February 2018, the council committed to transferring the surplus income over expenditure in 2018/19 to the Self-Sufficiency reserve. The Self-Sufficiency Reserve remains at £2.76m and there has been no expenditure against the reserve since it was created. As part of the Journey to Self-Sufficiency Programme and development of the council's Commercial Strategy, members will be presented with proposals to utilise this fund for investing in income generating opportunities or delivering savings.

2.3 The forecast outturn position presented as part of Appendix B is based on the forecast outturn at period 7.

3.0 2019/20 NET REVENUE EXPENDITURE PROPOSALS

3.1 For 2019/20, there has been an increase in net revenue expenditure of £195k. The main reasons for this increase are a combination of factors made up of a number of budgetary pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure).

3.2 Budget proposals presented in this report have been considered and approved by the Corporate Leadership Team and are categorised as either:

3.2.1 Savings Challenge - Savings put forward as part of an organisational wide savings challenge to achieve savings of 2.5% (or £300k) in the net cost of delivering each service, including the net position of changes under the de-minimums level of £5k. In total, the budget holders put forward proposals with a combined value of £230k saving. De-minimums budget movements across the General Fund which totalled a saving of £285k, taking the total reduction in the net cost of service of £515k.

3.2.2 Staffing increases - which include the cost of the pay award, pension increases and incremental salary progression for 2019/20. The additional cost in 2019/20 of staffing is £351k.

3.2.3 Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures. The total of these is £261k and more detail is included in paragraphs 3.4 to 3.9 below.

3.2.4 Service Development - Proposed additional budget provision to cover enhancement of the service. The total value of service development proposals is £222k. Details of these proposals are covered in paragraphs 3.10 to 3.218 below.

3.2.5 Leisure Outsourcing – The anticipated net change in budgetary provision for the leisure centres and new outsourced service for 2019/20. This has been estimated as a net saving of £25k for 2019/20 based on the saving of the council not providing the service from May 2019 and an assumption that the Council is required to make a management fee payment to the operator in the early years of the contract before the arrangement transfers to one which the council benefits from a payment from the operator for the remainder of the contract.

3.2.6 Reduction in Corporate Overheads – The anticipated net reduction in corporate overheads for 2019/20 as a result of the outsourcing in the council's leisure centres. This currently stands at £100k and further work is being undertaken to achieve the full target of £200k.

3.3 A full breakdown of proposals as outlined above can be found in Appendix A.

Cost Pressures

3.4 The Council's Waste Service requires an additional £175k to cover the anticipated cost of employing additional staff (£51k), the cost of additional fuel and an allowance to cover fuel increases (£33k), recycling containers (£30k) and additional vehicle costs (£61k) due to the need to extend rounds to service the growing district.

3.5 An increase of £24k to cover the cost of maintaining the council's firewall system and telephony platform is sought. These two system provide critical functions for the council in protecting its systems and data and providing a communication telephony network.

3.6 There is an anticipated increase of £13k based on the net position of various benefits related expenditure (Rent Rebates, Bed and Breakfast and Rent Allowances) and the net forecast funding due from the DWP.

3.7 There is additional budgetary provision requested for the Grounds maintenance team to cover the business rates payable for the parks depot (£13k) and to maintain mowing equipment (£12k).

3.8 The council will see an increase in its net financing costs for 2019/20 as a result of an increase in value of its Capital Programme for 2019/20 (total programme of £14.897m) compared to 2018/19 (forecast programme of £6.66m). The major reason for the increase is due to the assumed expenditure of £12.3m on the new leisure facility. Any capital items funded by 'unsupported borrowing' will incur a minimum revenue provision (MRP) charge where funds are to be set aside from revenue in line with statutory provisions. The increase in net financing costs for the 2019/20 year is £9k. The Section 151 Officer is currently reviewing the MRP policy to ascertain to ensure compliance with the Prudential Code and stature provisions. An update in respect of any revisions to the policy and the financial impact on the General Fund will be provided as part of the final budget in February 2019.

3.9 Finally, other cost pressures presented for approval include an increase in costs of £9.3k to cover the expected reduction in recharges from the HRA and from registered social landlords for advertising properties to let (£9.3k), an increase in the cost of facilitating the annual external audit for Revenues and Benefits (£5k).

Service Developments

3.10 A proposal for £100k additional budgetary provision for the next 3 financial years to cover the cost of engaging specialist support to assist the council in minimising the disbenefit and maximising the opportunities that arise from the proposed HS2 which will run through the district.

3.11 A provision of £50k is sought to cover the cost in 2019/20 of developing the council's extended and corporate leadership teams via a programme of specific external training in line with the People Plan.

3.12 It is proposed that a one off provision of £28k is approved to cover the cost of purchasing ICT hardware equipment for the council's members. The cost is net of the anticipated reduction in postage and printing of meeting agenda packs.

3.13 Funding of £26k to cover the cost of a new 'Recycle More' officer is sought. The Recycling Strategy, due to be presented to members in due course will make this recommendation. It is proposed that funding is approved subject to the future consideration of the strategy by Cabinet and CLT approval of the post.

3.14 A budget of £12k is proposed to cover the contribution to the Ashby Town Centre Manager post.

3.15 A provision of £10k is requested by the Waste team to cover the cost of an alternative recycling container pilot. The alternative containers trialled will be an all-in-one system and the impact on recycling rates used to determine whether the containers should be rolled out across the district and replace the current container systems.

3.16 A budget of £10k is requested or cover the Project Management fees anticipated as part of developing the shared service or Local Authority trading company arrangements for Building Control.

3.17 Waste services propose £12k for 2019/20 to cover the vehicle costs associated with the creation of a Commercial Street Cleansing Team. This team will provide services to the Housing department (at a salary cost of £63k) but will earn £70k from the Housing contract and are targeted to earn a further £30k through other new businesses.

3.18 Finally, other service developments include £6.6k to cover the cost of employing an apprentice within the ICT team (net of other staffing savings0) and an additional £5k contribution to Citizens Advice, taking the annual contribution across the council from £65k per annum to £70k This increase in grant to Citizens Advice is the first in a number of years and will assist the charity to provide an increased level of support and advice to local residents which will in turn improve the collection of council tax and council rent. An updated service level agreement will track and monitor progress.

4.0 2019/20 FUNDING

4.1 The provisional local government finance settlement is due to be announced on 6 December 2018 and will confirm the level New Homes Bonus, Revenue Support Grant, the tariff and levy charges against business rates to be retained by the Council, and the outcome of the Leicestershire-wide bid to become a Business Rate pilot. Estimates below are therefore based on the 4 year settlement and other assumptions as detailed below.

4.2 The Council will receive nil Revenue Support Grant in 2019/20 as per the 4 year settlement.

4.3 For 2019/20 there is an estimated increase in total funding of £659k, subject to the local government finance settlement and further work required in respect of council tax and business rates estimates.

4.4 Under the existing 50% Business Rates retention system, the level of business rates to be retained by the Council is not ultimately confirmed until after the end of the financial year when the actual level of Business Rates is reported. This means that the Council is not able to accurately predict the actual level of business rates likely to be collected during the following year until after the final budget has been approved at Council in February. Forecast Business Rates income for 2019/20 has been estimated based on the period 7 performance of Business Rates plus assumptions around the anticipated level of growth in the district in 2019/20 based on an assessment of commercial developments underway. The Council will submit its final projections of Business Rates for 2019/20 to the Government by the end of January 2019 and this information will be used to determine the final budget position for 2019/20 which will be presented in the final budget in February 2019.

4.5 The Council is not planning to increase the District's share of the Council Tax in 2019/20. This will be the tenth year without an increase. The net income foregone by not increasing council tax for 2019/20 from its 2018/19 level is £166k. The cumulative loss of income as a result of this policy from 2010/11 to 2019/20 will be £8.5m and the cumulative average saving to residents of £286 over the ten years. The draft budgeted level of Council tax income has been assessed on the likely level council tax base, level of further anticipated housing growth in 2019/20 and a non-collection rate of 2%. This has resulted in an increase of £86k, from £5.21m for the 2018/19 year to £5.3m for the 2019/20 year. The Council Tax Base for 2019/20 is due to be approved by members at its Cabinet meeting in January. Therefore, as is the case with Business Rates, the final Council Tax budget will be confirmed in the final budget presented to Council in February 2019.

4.6 The Council Tax Collection Fund is monitored throughout the year and the forecast income will be available from the fund towards next year's budget. The budget for 2018/19 has reduced by £225k from £289k to £63k. This step-change in anticipated Collection Fund surplus is as a result of the council more accurately predicting its housing growth in year which has reduced the effect of a surplus received a year in arrears. As above, this position will be finalised as part of the final budget.

4.7 The level of New Homes Bonus for next year is determined by the Council Tax Base report (CTB1) which was completed and returned to Central Government in October. In the Government's September 2018 consultation on the Draft Local Government Finance Settlement, it was stated that 2019/20 represented the final year of New Homes Bonus funding agreed through the 2015 Spending Review. The Government also announced that it may increase the national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid. As a result, it has been assumed that the baseline will be increased to 0.6% for 2019/20. Based on this and the increase in the council's council tax base between October 2017 and October 2018 it is anticipated that the council will receive an additional £91k in New Homes Bonus funding in 2019/20 compared to 2018/19.

5.0 2019/20 DRAFT BUDGET POSITION

5.1 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed above, the predicted surplus and contribution to General Fund reserves for 2019/20 is £762k. Subject to 2018/19 outturn this surplus position will take the Self-Sufficiency Reserve from an estimated £3.48m at 31 March 2019 (as per paragraph 2.1), to £4.242m at 31 March 2020, assuming there is no spend against this reserve.

5.2 The draft Budget Summary for 2019/20 can be found in Appendix B.

6.0 SPECIAL EXPENSES

6.1 The forecast outturn for 2018/19 Special Expenses forecast outturn remains at £527k net expenditure as per the approved budget.

6.3 Until such time that the Council Tax Base is approved by Cabinet in January, the estimated position of Special Expenses balances cannot be detailed. This information will be presented as part of the final budget report approved by members in February 2018.

7.0 MEDIUM TERM FINANCIAL STRATEGY

7.1 The Council's Medium Term Financial Strategy 2018 – 2023 was approved by Cabinet in February 2018. At that time, the projected deficit on the General Fund arising over the 5 year period was £5.4m. Following the review in July 2018, this deficit reduced to £4.6m.

7.2 Given the expenditure proposals and assumptions around funding presented as part of this report, the forecast deficit between 2019 – 2024 is now £3.98m. As detailed in paragraph 5.1 above, the Self-Sufficiency reserve is forecast to stand at £4.242 as at March 2020.

7.3 Full details of the full assumptions used to determine this forecast can be found in the Medium Term Financial Strategy report on the same agenda as this report.

8.0 CONSULTATION

8.1 The Council will undertake a consultation on the Council's proposed budget provision and its proposed Council Tax freeze for 2019/20. Consultation is required with the business community, through the North West Leicestershire Chamber of Commerce, in compliance with the Non-Domestic Ratepayers (Consultation) Regulations 1992. There will also be consultation with Staff, Unions and Town and Parish Councils.

8.2 The Policy Development Group will be asked for its comments on the specific budget proposals during the consultation period at its next meeting on 9 January 2019.

8.3 Cabinet will receive details of the consultations at its meeting on 5 February 2019 where it will make its final budget recommendations for approval by Council on 26 February 2019.

9.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

9.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

9.2 The Section 151 Officer considers that the estimates which form the draft General Fund budget are robust and prudent, and the proposals are deliverable for 2019/20.

9.3 The Section 151 Officer also considers that the overall level of General Fund reserves is adequate for 2019/20.

9.4 The Section 151 Officer notes the business, housing and population growth in the district and the need for the future increased expenditure arising from future growth to be funded.

9.5 By 2020, all local authorities will have faced a reduction to core funding from the Government and the Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the government's departmental Spending Review and the redesign of the national Business Rate Retention System. The council's current projections within the Medium Term Financial Strategy (MTFS) make prudent and robust assumptions around the likely level of future funding in light of these government-led reviews.

9.6 The updated MTFS presents a total deficit between 2019/20 and 2023/24 of £3.98m. By March 2020, the council's Self-Sufficiency reserve is forecast to stand at £4.242, subject to funding future commercial initiatives presented to Cabinet for approval.

9.7 The MTFS will be reviewed in July 2019 and reported to Cabinet, by which time we will have further clarity surrounding the likely funding position from 2020 and will be able to present further recommendations to safeguard the council's future financial position on an ongoing basis.

Appendix A

Budget Proposals

Proposals to cover cost pressures

Proposal Title	Amount	One-off / Ongoing
Waste Services - Extension of Rounds Vehicle Costs	£60,800	Ongoing
Waste Services - Extension of Rounds Staffing Costs	£51,200	Ongoing
Waste Fuel increase and additional mileage	£33,140	Ongoing
Recycling containers	£30,000	Ongoing
Firewall Support and Maintenance and SIP Telephony Platform Maintenance	£23,550	Ongoing
Benefits expenditure	£13,300	One-off
Grounds Maintenance - NDR	£13,000	Ongoing
Grounds Maintenance - Ride on Mower	£12,300	Ongoing
Net Financing Costs	£9,418	Ongoing
Choice Based Lettings Advertising fees	£9,300	On-going
Revenues and Benefits External Audit Fees	£5,130	One-off
TOTAL	**£261,138**	

Service Developments Proposals

Proposal Title	Amount	One-off / Ongoing
HS2 Consultancy	£100,000	3 years
CLT/ELT Training	£50,000	On-off
ICT Equipment for Members	£27,910	One-off
Recycle More Officer	£26,060	Ongoing
Ashby Town Centre Manager	£12,000	One-off
Commercial Street Cleansing Team - One year start up costs	£11,880	One off
Alternative Recycling container pilot scheme	£10,000	One off
Building Control non-fee earning - Project Management	£10,000	One-off
ICT Apprenticeship (18m)	£6,660	One-off
CAB Grant increase	£5,000	Ongoing
Commercial Street Cleansing Team - Ongoing revenue income (net of expenditure)	-£37,410	Ongoing
TOTAL	**£222,100**	

Other Changes affecting the Net Cost of Services

Savings in 2019/20 in corporate support as a result of outsourcing of leisure centres	-£100,132	Ongoing
Staffing increases as a result of incremental increases, pay award, pension increases and the cost of posts approved but not included in establishment staffing costs in 2018/19	£351,470	Ongoing
De-minimus budgetary changes (changes below £5k)	-£285,352	Ongoing
Savings Challenge	-£229,538	Ongoing
Leisure Year 1 savings (based on the council no longer providing the service from 1 May 2019 and the anticipated level of management fee payable to the successful bidder).	-£ 24,520	Ongoing
TOTAL	**-£-288,072**	

Funding Changes

Proposal Title	Amount	Movement	One-off / Ongoing
Reduction in Revenue Support Grant	£235,000	Funding reduction	
Reduction in forecast Collection Fund Surplus	£225,500	Funding reduction	Ongoing
Council Tax Growth as a result of growth in homes	-£85,585	Increased funding	Ongoing
New Homes Bonus growth as a result of growth in homes in District	-£91,000	Increased funding	Ongoing
Additional Business Rates funding as a result of increase in rates and anticipated business growth	-£943,000	Increased funding	Ongoing
TOTAL	-£659,085		

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2019/20

2018/19 Budget £	2018/19 Forecast Outturn @P7 £	Service	2019/20 Budget £	2020/21 Indicative £	2021/2022 Indicative £	2022/23 Indicative £	2023/24 Indicative £
287,370	285,490	Chief Executive	285,300	291,820	298,770	306,150	313,190
527,000	535,430	Human Resources	664,460	642,260	627,030	640,770	654,670
1,309,030	1,220,960	Legal & Support Services	1,373,100	1,369,790	1,404,660	1,439,050	1,476,500
2,123,400	**2,041,880**	**Total Chief Executive's Department**	**2,322,860**	**2,303,870**	**2,330,460**	**2,385,970**	**2,444,360**
341,360	279,968	Strategic Director of Place	349,260	358,580	368,480	378,640	388,700
5,590,570	5,796,733	Community Services	5,749,210	5,521,300	5,552,730	5,472,790	5,491,360
434,910	232,250	Regeneration & Planning	399,170	267,010	282,140	310,410	528,180
742,630	706,740	Economic Development	845,110	846,570	862,130	773,830	780,740
8,080	8,080	Joint Strategic Planning	7,820	8,050	8,300	8,560	8,820
7,117,550	**7,023,771**	**Total Director of Services**	**7,350,570**	**7,001,510**	**7,073,780**	**6,944,230**	**7,197,800**
485,310	510,420	Strategic Housing	516,910	538,510	553,420	568,700	583,780
162,700	103,210	Property Services	172,210	186,440	195,880	205,880	215,260
2,194,870	2,244,770	Customer Services	2,372,350	2,444,970	2,525,100	2,609,690	2,686,310
875,560	878,830	Finance	879,020	899,310	922,140	946,610	972,700
3,718,440	3,737,230		**3,940,490**	**4,069,230**	**4,196,540**	**4,330,880**	**4,458,050**
296,770	117,280	Other (Director of Resources, Customer Team Manager, Performance)	0	0	0	0	0
9,580	14,920	Non Distributed - Revenue Expenditure on Surplus Assets	9,770	9,820	9,870	9,920	9,970
77,810	107,750	Non Distributed - Retirement Benefits	77,510	79,300	81,140	83,030	84,960
44,600	47,100	Corporate & Democratic Core	35,520	38,420	37,110	40,200	38,750
		Savings in corporate overheads as a result of leisure outsourcing less HRA element	(20,290)	-20,290	-20,290	-20,290	-20,290
13,388,150	**13,089,931**	**NET COST OF SERVICES**	**13,716,430**	**13,481,860**	**13,708,610**	**13,773,940**	**14,213,600**
(1,273,160)	(1,301,150)	Net Recharges from General Fund	(1,332,380)	(1,360,080)	(1,389,750)	(1,420,080)	(1,449,510)
12,114,990	**11,788,781**	**NET COST OF SERVICES AFTER RECHARGES**	**12,384,050**	**12,121,780**	**12,318,860**	**12,353,860**	**12,764,090**
		CORPORATE ITEMS AND FINANCING					
		Corporate Income and Expenditure					
1,080,408	1,080,408	Net Financing Costs	1,089,826	1,672,154	2,095,492	2,198,282	2,204,989
(145,300)	(145,300)	Investment Income	(188,450)	(147,010)	(50,380)	(50,380)	(50,380)
139,081	139,081	Localisation of Council Tax Support Grant - Parish & Special Expenses	113,889	88,696	63,503	63,503	63,503
14,970	14,970	Various Chief Executive items (Annual Governance Statement improvements)	0	0	0	0	0
13,204,149	**12,877,940**	**NET REVENUE EXPENDITURE**	**13,399,315**	**13,735,620**	**14,427,475**	**14,565,265**	**14,982,202**
298,604	720,813	Contribution to/(from) Balances/Reserves	762,372	200,149	(841,010)	(1,763,071)	(2,339,027)
13,502,753	**13,598,753**	**MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)**	**14,161,687**	**13,935,769**	**13,586,465**	**12,802,194**	**12,643,175**
		Financed By					
235,000	235,000	Formula Grant	0	0	0	0	0
2,904,589	2,904,589	New Homes Bonus	2,996,000	2,346,000	1,816,000	819,000	0
289,160	289,160	Transfer from Collection Fund	63,066	32,000	0	0	0
5,209,670	5,209,670	Council Tax	5,295,621	5,390,769	5,484,465	5,582,255	5,681,399
4,864,334	4,960,334	National Non-Domestic Rates Baseline	5,807,000	6,167,000	6,286,000	6,396,000	6,498,000
		Assumed Transition Funding	0	0	0	4,939	463,776
13,502,753	**13,598,753**	**TOTAL FUNDING AVAILABLE**	**14,161,687**	**13,935,769**	**13,586,465**	**12,802,194**	**12,643,175**

Proposal Title (2.5% Savings)	Amount	One-off / Ongoing
External Audit Fees - Annual Accounts - reduction in annual external audit fees payable, an overall saving of 23%	-6618	Ongoing
External Audit Fees - Annual External Grants Audit - reduction in annual external audit fees payable in relation to grant claims, an overall saving of 47%	-7180	Ongoing
ICT Licences - reduction in the Microsoft licences payable less increases for Skype licences and new telephony and unified communications platform	-22418	Ongoing
Internal Audit staffing costs - reduction of agency costs	-6210	One-off
Investment Income - forecast increase in the amount of interest received on investments	-43150	
Legal - external legal fees - reduction in budget based on current year expenditure levels	-5000	One-off
Legal Practice Manager/Commercial Property Solicitor - changes to staffing structure within legal services	-3480	One-off
Licensing - taxi licences - additional income from increased number of driver and vehicle licences issued	-12000	Ongoing
Licensing Act 2003 (alcohol and entertainment) - additional income from increased number licences issued	-10000	Ongoing
Localisation of Council Tax Support Grant - reduction of support offered to Parish Councils as per the January 2017 Cabinet report	-25192	Ongoing
Planning Appeals - Legal and Technical Support - reduction in budget based on current year expenditure levels	-20000	Ongoing
Recycle More - additional income from the sale of materials due to a forecast increase in recycling rates	-30000	Ongoing
Removal of contribution to Waste Partnership - there is no longer a waste partnership to contribute to	-10000	Ongoing
Trade Refuse Increased Income - additional income due to the income of fees by 3.66% and forecasted increase in customer base	-28290	Ongoing

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**2019/20 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To receive comments on the draft Housing Revenue Account (HRA) budget proposals for 2019/20.
Council priorities	The budget assists the Council to achieve all its priorities.
Implications:	
Financial/Staff	Financial issues are contained with the appended Cabinet report
Link to relevant CAT	The budget is relevant to all Corporate Action Teams (CATs)
Risk Management	The revenue and capital budgets are monitored every month by management and reported to Cabinet through the quarterly Performance Reports. Projected over and under spends are identified and appropriate action taken.
Equalities Impact Screening	The requirements for equalities impact screening and assessments is being assessed during the consultations and details if required will be provided as part of the management response.
Human Rights	None identified
Transformational Government	None identified
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory

Comments of Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	None
Recommendations	**THAT POLICY DEVELOPMENT GROUP PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 5 FEBRUARY 2019 TO CONSIDER THE BUDGET REPORT AND RECOMMEND ITS PROPOSALS TO COUNCIL ON 26 FEBRUARY 2019.**

1.0 SECTION TITLE

1.1 The Housing Revenue Account (HRA) Budget Proposals for 2019/20 were presented to the Cabinet for approval for consultation at its meeting on the 11 December 2018.

1.2 The Policy Development Group is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 5 February 2019. Separate reports appear on this agenda covering the General Fund and Special Expenses Revenue Budget proposals, the Council's Capital Programmes and the Medium Term Financial Strategy.

1.3 Further details are included in the attached Cabinet report: Appendix 1: Housing Revenue Account (HRA) Budget Proposals for 2019/20.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY 11 DECEMBER 2018

Title of report	**HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2019/20**
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Councillor Roger Bayliss 01530 411055 roger.bayliss@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and Section 151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To seek approval of the draft 2019/20 Housing Revenue Account (HRA) Budget proposals for consultation.
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2019/20.
Council Priorities	The HRA budget assists the Value for Money priority.
Implications:	
Financial/Staff	As included in report.
Link to relevant CAT	Delivering a HRA Budget for 2019/20 will allow the Council to achieve the objectives for the service as set out in the Housing Business Plan and Service Team Business Plans.
Risk Management	The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Equalities Impact Screening	None identified.
Human Rights	None identified.

Transformational Government	Not applicable
Comments of Deputy Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	Corporate Leadership Team (CLT).
Background papers	None
Recommendations	**THAT CABINET:** **A. NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER; AND** **B. APPROVE THE DRAFT HRA BUDGET PROPOSAL, INCLUDING THE 1% RENT DECREASE, AS DETAILED IN THIS REPORT AND ASSOCIATED APPENDICES FOR CONSULTATION**

1.0 INTRODUCTION

1.1 This report seeks Cabinet approval to consult on the draft HRA budget proposals for 2019/20, with the outcome of this consultation exercise being fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget.

1.2 The formal consultation process with customers adheres to the same consultation timetable as the General Fund and will commence on 12 December 2018 and end on 11 January 2019 in readiness for Cabinet and Full Council approval of final proposals on 5 and 24 February 2019 respectively.

1.3 Draft proposals for consultation have been prepared in the context of the continuation of four years of 1% per annum rent reductions from 2016/17 in accordance with the Work and Welfare Reform Act 2016. The impact of that rent reduction was fully incorporated into the HRA Budgets from 2016/17 onwards and the long term business plan. The Government has announced that from 2020 rent increases can be applied (limited to 1% above CPI), which provides more certainty for medium term financial planning. However, ongoing inflationary pressures, coupled with the 1% rent reduction for 2019/20, will certainly present financial challenges to the Housing service in the short term.

2.0 2018/19 BUDGET POSITION

2.1 The budgeted outturn position for 2018/19 was a £2.946m surplus. The overall forecast for the current year at period 7 shows a surplus of £3.217m resulting in an increase to the forecast surplus of £271,000. This is largely as a result of savings in energy costs, partly as a result of an over accrual in 2017/18, savings in Council Tax as a result of fewer empty properties, together with additional income from rents, mainly as a result of increased void performance and additional income from interest on balances.

2.2 As a result of this the balance on the Housing Revenue Account at 31 March 2019 is estimated to be £12.6m This balance significantly exceeds our agreed minimum working balance on the HRA of £1m and this has been developed to provide a loan repayment reserve provision for the future repayment of debts taken out on a maturity repayment basis, within the HRA Business Plan. The first maturity loans of £10m and £3m fall due for repayment on 28 March 2022. It is proposed that the balances over the £1m minimum working balance on the HRA continue to be transferred to a savings reserve for the purposes of repaying these loan commitments in 2022.

2.3 After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans that next become become payable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will of course continue to be repais as outlined in Appendix D. This decision will be presented to members formally as part of the Treasury Management Strategy Statement for 2019/20 at Cabinet and Council in February 2019.

3.0 2019/20 BUDGET OVERVIEW

3.1 Budget proposals are based on prices and levels of charges for Council Housing related services at September 2018 plus other known increases, for example contractual uplift obligations.

3.2 The process of determining the 2019/20 budget includes the capturing of all of the changes required from one budget year to the next within the HRA in the form of a budget "investment" – a request for more funding or a reduction in income collected, or a budget "saving" – an increase in income or a budget saving via reduced expenditure.

3.3 The budget investment and budget saving proposals for the 2019/20 budget are shown within Appendix A.

3.4 For 2019/20, the level of revenue contribution to capital outlay (RCCO) will be £1.7m.

3.5 The draft budget for 2019/20 is estimated to produce an operating surplus / deficit of zero, after making a contribution of £1.4m to the debt repayment reserve, which will take total estimated HRA balances at 31 March 2020 to £14m. The HRA working balance will be £1m and the remaining £13m will be held in the debt repayment reserve to repay the debt that matures in 2021/22.

4.0 2019/20 BUDGET – RENTS

4.1 During 2014, the Government announced that from 2015/16 rent guidance required rent increases to be via a formula of September CPI + 1% for the next 10 years. On the introduction of that guidance the former rent restructuring policy ceased, with the exception of re-letting properties at the converged rent level ('target rent') on re-let.

4.2 As part of the 2015/16 budget, Cabinet agreed to adopt an accelerated convergence approach that increased 2014/15 rents following the guidance of CPI + 1%, but also continued to converge rents not already at the target rent at an accelerated rate of up to £4 per week. Cabinet also agreed to the expansion of the approach to letting properties at target rent to include transfers by existing tenants.

4.3 However, at the end of October 2018, only 60% of properties were at their target rent, a much lower percentage compared to the vast majority of local authorities.

4.4 The Work and Welfare Reform Act 2016 required rents to be reduced by 1% below their 2015/16 levels for 4 years, with the exception of those for supported housing. An exemption was granted for supported housing and those rents were increased by CPI + 1%. However, the Secretary of State for Work and Pensions announced on 15 September 2016 that the 1% rent reduction would apply for supported housing for 2017/18 and the following two years.

4.5 Earlier this year the Government announced a five-year rent policy from April 2020 which enables annual rent increases of CPI plus 1%. This has been built into the thirty-year HRA business plan.

4.6 The level of rent loss due to the void properties target included in the budgeted rental income is 0.8%, a reduction from 1.0% assumed in the previous year.

4.7 As a result of the 1% rent reduction, and lower property numbers due to RTB sales but some offsetting through the effects of the new build and acquisitions programme, net budgeted rental income is £20k less than budgeted for in 2018/19.

4.8 A number of accounting and budget estimate amendments have been made from 2018/19, which are set out in Appendix B. The most significant of those are as follows:

- an increase of £243k in employee costs for the cost of the pay award, increments and posts approved during 2018/19, which were not reflected in the original budget
- savings of £157k as a result of a net reduction in salary costs after recharges to the General Fund and Capital Programme
- savings of £126k in the redecoration programme. During 2019/20 a five year plan will be produced of internal and external decoration including replacement of soffit and fascias with plastic
- savings of £200k for responsive repairs and maintenance due to an increase in efficiency as resources are diverted to the Home Improvement Programme.

5.0 SERVICE CHARGES, FEES AND OTHER CHARGES

5.1 Approximately one third of the Council's properties have a service charge, covering a range of items such as communal heating, communal lighting, maintenance of communal areas and the older persons service charge. Service charges are covered by Housing Benefit and will be eligible for Universal Credit payments, whilst all other fees and charges are not.

5.2 For 2019/20 average weekly service charges are proposed to be increased by 7.96%. Included within this is the charge for laundry room services where applicable.

5.3 Central heating charges are proposed to be maintained at existing levels, based on forecast energy prices anticipated for 2019/20.

5.4 Garage rent levels are proposed to rise by 3.3%, which is in line with the Retail Prices Index (RPI) as at September 2018.

5.5 Appleby Magna Caravan Site is a General Fund asset but managed by the Housing Service. Ground rents for the site are proposed to be increased by RPI of 3.3% on the anniversary of each individual rent agreement in 2019/20.

5.6 It is proposed that Lifeline Charges are increased by RPI of 3.3% from April 2019 for both East Midlands Housing as per the contract, and for private customers.

5.7 Most shop leases are proposed to rise by 14% as agreed by Cabinet in November 2014 as part of the process of gradually moving all of them to a market rent.

5.8 A table detailing each charge increase can be found in Appendix C.

6.0 HRA BUSINESS PLAN

6.1 Significant annual surpluses on the HRA will be required in future years if the Council wishes to meet the loan repayment commitments in the HRA Business Plan which become due in 2042, instead of considering other options such as refinancing. As detailed in 2.2 above, existing balances and 2019/20 surpluses will be transferred to the debt repayment reserve for the purposes of repaying the first tranche of those loans, which fall due in 2021/22 and are for £3m and £10m. Please see Appendix D for a schedule of HRA loans.

6.2 The inclusion of the new build programme and the negotiated gifted units from developers provides some improvement in the overall business plan viability. However, given the current forecasts for the rental income stream, it is not possible to achieve a positive cash flow in future over a 30 year period where borrowing is required to finance new development for affordable rent (and no HCA funding or other subsidy is available).

6.3 Depending on how the Council wishes to deal with the significant sums in loans that mature later during the business plan period, further savings, additional income or refinancing will be needed to address potential shortfalls of £8.4m in 2041/42 and a further £40.8m by the end of the 30 year period in 2048/49.

6.4 It should be noted that any projected level of savings requirement is very sensitive to the level of future rent increases, which is difficult to predict given the uncertainty in the medium to long term of future inflation rates and changes in central government rents policy. Therefore, as these potential liabilities fall 25 years plus hence, there are several other variables that could change over the intervening period, and the recurring option to refinance at an appropriate juncture is available, it is not considered necessary to draw up detailed plans at the moment to address the highlighted sums.

6.5 There is a requirement for a revenue contribution to capital outlay (RCCO) for 2019-20 of £1.7m to support the acquisition of new, affordable housing through section 106, or other, agreements with developers. Future amounts are forecast to be required in order to support the capital programme, including new build proposals, as follows:

RCCO

- 2021/22 - £0.1m
- 2022/23 - £0.6m

7.0 CONSULTATION PROCESS

7.1 The contents and appendices of this report will be used to consult with Council tenants on the proposals for the 2019/20 Housing Revenue Account budget.

7.2 This will include consulting with tenant members of the Performance and Finance Working Group (the Council's Resident Involvement technical finance working group) and the Tenants and Leaseholders Consultation Forum (the Council's main consultative body of tenants) to review and comment on the proposals.

7.3 In addition, the contents and appendices of this report will be published on the Council's Housing internet page and available in hard copy format upon request.

7.4 The report will be presented to the Policy Development Group on 9 January 2019.

7.5 A copy of the consultation timetable can be found in Appendix E.

8.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

8.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

8.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2019/20 are robust and prudent, and the proposals are deliverable.

8.3 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves is adequate.

APPENDIX A

LINE NO.	DETAIL	2018/2019 Budget £	Forecast (p7) £	2019/2020 Estimate £
	HOUSING REVENUE ACCOUNT			
1.	TOTAL REPAIRS & MAINTENANCE	5,505,420	5,492,280	5,387,500
	SUPERVISION & MANAGEMENT			
2.	General	2,156,750	2,018,390	2,140,060
3.	Special / Supporting People	530,830	557,220	559,960
4.		2,687,580	2,575,610	2,700,020
5.	PROVISION -DOUBTFUL DEBTS	100,000	100,000	100,000
6.	CAPITAL FINANCING:-			
7.	Depreciation - MRA & other	3,139,190	3,139,190	3,139,190
8.	Debt Management Expenses	1,210	1,210	2,750
9.		3,140,400	3,140,400	3,141,940
10.	TOTAL EXPENDITURE	11,433,400	11,264,520	11,329,460
11.	RENT INCOME			
12.	Dwellings	17,029,440	17,137,380	17,009,750
13.	Service Charges	512,300	477,010	553,070
14.	Garages & Sites	72,640	68,140	65,920
15.	Other	19,960	19,540	19,920
16.	TOTAL INCOME	17,634,340	17,702,070	17,648,660
17.	NET COST OF SERVICES	-6,200,940	-6,437,550	-6,319,200
18.	CAPITAL FINANCING - HISTORICAL DEBT	125,000	125,000	125,000
19.	CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
20.	INVESTMENT INCOME	-83,700	-117,590	-108,550
21.	PREMATURE LOAN REDEMPTION PREMIUMS	7,060	7,060	7,060
22.		3,305,530	3,271,640	3,280,680
23.	NET OPERATING EXPENDITURE	-2,895,410	-3,165,910	-3,038,520
24.	REVENUE CONTRIBUTION TO CAPITAL	0	0	1,700,000
25.	DEPRECIATION CREDIT - VEHICLES	-50,730	-50,730	-50,730
26.		-50,730	-50,730	-50,730
27.	NET (SURPLUS) / DEFICIT	-2,946,140	-3,216,640	-1,389,250
	HRA BALANCES			
28.	Balance Brought Forward	-1,000,000	-1,000,000	-1,000,000
29.	(Surplus)/Deficit for Year	-2,946,140	-3,216,640	-1,389,250
30.	Transfer to Loan Repayment Reserve	2,946,140	3,216,640	1,389,250
31.	HRA General Balance as at year end	-1,000,000	-1,000,000	-1,000,000
32.	Loan Repayment Reserve balance	-11,196,204	-11,601,122	-12,990,372

APPENDIX B

Saving / Increase in Income

Ref	Team	HRA Savings Bid Title	Value	RAG
SAV1	Housing Management	Council Tax Liabilities	-£25,000	g
SAV2	Income and Systems	CBL Advertising	-£4,520	g
SAV3	Asset Management	Painting Programme	-£125,680	g
SAV4	Housing Management	Reduction in Rent Loss due to improved performance 0.8%	-£36,000	g
SAV5	Housing Management	Service Charges	-£40,769	g
SAV13	Income and Systems	Legal and Professional Services	-£30,000	g
SAV14	Income and Systems	Bank Charges	-£1,000	g
SAV15	Income and Systems	Miscellaneous Expenditure	-£1,000	g
SAV16	Income and Systems	Review of HRA Business Support Budgets	-£1,750	g
SAV17	Asset Management	Solid Fuel Servicing	-£69,200	g
SAV18	Housing Management	HRA Hardship Fund	-£9,000	g
SAV19	HRA	Increase in Rent Income due to extra rent day in 2019/20	-£46,640	g
SAV20	HRA	Increase in Rent Income due to additional affordable rented properties	-£248,550	g
SAV21	Commercial Services	Responsive & Maintenance Charges (RTB Sales)	-£15,900	g
SAV22	Commercial Services	Responsive & Maintenance Charges (increased Efficiency)	-£200,000	g
SAV23	HRA	Net reduction in salary costs after recharges to GF and Capital	-£157,100	g
Total			**-£1,012,109**	

Investments / Reduction in Income

Ref	Team	HRA Investments Bid Title	Value	RAG
BI1	Housing Management	Support Officer (Universal Credit), following withdrawal of grant	£38,000	g
BI2	Asset Management	Compliance - Electrical Inspections	£88,670	g
BI3	Asset Management	Compliance - Third-party auditors for gas, etc.	£13,646	g
BI4	Asset Management	Air source heat pumps servicing	£34,000	g
BI5	HRA	Annual Contract Inflation	£20,115	g
BI6	Commercial Services	Materials Supply Chain - Annual Contract Inflation	£14,300	g
BI7	Housing Management	Removal of Assistive Technology Fees and Charges Budget	£8,670	g
BI9	HRA	1% Rent Reduction	£170,300	g
BI10	Income	Garage and Garage Site Rents	£6,723	g
BI11	Housing Management	Tunstall Disaster Recovery	£7,500	g
BI12	Housing Management	Laundry Rooms Service Contract	£19,773	g
BI15	Income and Systems	Subscriptions	£4,500	g
BI16	Income and Systems	Computing Costs	£5,000	g
BI17	HRA	Rent loss through stock reductions	£180,580	g
BI18	HRA	Employee cost changes (pay award, increments, new asset management posts)	£243,050	g
Total			**£854,827**	

APPENDIX C

COMPARISON OF 2018/19 AND 2019/20 HOUSING CHARGES

	2018/19		2019/20				
Chargeable Service	**Actual Income 2018/19**	**Charge**	**Income Estimates 2019/20**	**Increase/ (Decrease)**	**Percentage Change**	**Charge**	**Basis of Increase**
Service Charges	£509,865	Varies per property	£550,993	£41,128	8.07%	Largest weekly increase value:£2.26; Largest weekly decrease value: £1.55	Based on assessment of all chargeable services.
Central Heating	£84,550	0 Bed: £7.75pw, 1 Bed: £9.34pw, 2 Bed: £10.72pw, 3 Bed: £12.32pw	£84,550	£0	0.00%	0 Bed: £7.75pw 1 Bed: £9.34pw 2 Bed: £10.72pw 3 Bed: £12.32pw	Based on market assessment of predicted increases in utility costs during 2018/19 and 2019/20.
Garage & Garage Site Rent	£79,484	Garage: £6.68pw Site: £4.28pw	£72,761	£6,723	-8.46%	Garage: £6.91pw Site: £3.43pw	September 2018 RPI increase in line with previous years
Appleby Magna Caravan Site Rent	£16,527	Site: £33.23pw	£13,756	-£2,771	-16.77%%	Site: £34.39pw	September 2018 RPI increase at anniversary date of each licence in line with previous years.
Shop Leases	£18,584	n/a	£21,186	£2,602	14.00%	Varies by location	14% increase based on Nov 14 Cabinet Report
Tenants Contents Insurance	£51,961	Premiums from £0.36 to £7.41pw	£51,961	£0	0.00%	Premiums from £0.36 to £7.41pw	No increase, but assumes IPT will be unchanged.
Lifelines for private customers	£119,310	£3.95 pw basic, £5.95 p.w enhanced	£123,247	£3,937	3.30%	£4.08pw basic, £6.15pw enhanced 3.3% increase also proposed for all sensor elements	September 2018 RPI increase
Lifelines (East Midlands Housing Association)	£40,493	Various depending on scheme but average increase from £2.88 to £2.99 pw	£41,829	£1,336	3.30%	Various depending on scheme but average increase from £2.99 to £3.09pw	September 2018 RPI increase in line with previous years
Total Services	£920,774		£960,283	£39,509	4.29%		

APPENDIX D

NWLDC Housing Revenue Account Loan Schedule

NWLDC - HRA Self Financing loans taken up 26/03/12
PAYMENT PROFILE - PRINCIPAL AND INTEREST

Loan Type	Principal	Loan Period (Years)	Interest Rate
Maturity (2042)	10,000,000	30	3.5
Annuity	10,000,000	20	2.57
Maturity (2022)	10,000,000	10	2.4
Maturity (2022)	3,000,000	10	2.4
Annuity	10,000,000	15	2.02
Maturity (2037)	10,000,000	25	3.44
Maturity (2042)	13,785,000	30	3.5
Maturity (2042)	10,000,000	30	3.5
	76,785,000		

Note – The above schedule does not reflect the HRA share of existing general fund loans for which the HRA bears an annual charge.

APPENDIX E

Consultation and approval of HRA 2019/20 Budget Timetable

Date	Item	Information
26 November 2018	Budget considerations and headlines	Members of Tenants and Leaseholder Consultation Forum
12 December 2018 to 11 January 2019	Consultation with customers	Consultation with: • All customers via NWLDC website • Tenant members of the Performance and Finance Working Group (13 December 2018)
11 January 2019	Policy Development Group	Opportunity for Members to consider proposals prior to agreement of final budget by Cabinet & Council
28 January 2019	Tenant and Leaseholders Consultation Forum	Draft budget consideration
5 February 2019	Cabinet Meeting	Approval of recommendations to Council
24 February 2019	Council	Approval of Budget

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**2019/20 - 2023/24 DRAFT CAPITAL PROGRAMMES**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To receive comments on the draft General Fund, Special Expenses and Housing Revenue Account Capital Programmes 2019/20-2023/24.
Council priorities	The budget assists the Council to achieve all its priorities
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	 Financial issues are contained with the appended Cabinet report. The budget is relevant to all Corporate Action Teams (CATs). The revenue and capital budgets are monitored every month by management and reported to Cabinet through the quarterly Performance Reports. Projected over and under spends are identified and appropriate action taken. No impact at this stage. None identified. None identified.
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	None

Background papers	None
Recommendations	**THAT POLICY DEVELOPMENT GROUP PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 5 FEBRUARY 2019 TO CONSIDER THE CAPITAL PROGRAMME AND RECOMMEND ITS PROPOSALS TO COUNCIL ON 26 FEBRUARY 2019.**

1.0 BACKGROUND

1.1 The draft Capital Programme 2019/20-2023/24 was presented to the Cabinet for approval for consultation at its meeting on the 11 December 2018.

1.2 The Policy Development Group is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 5 February 2019. Separate reports appear on this agenda covering the Council's draft General Fund and Housing Revenue Account Budget proposals and the Medium Term Financial Strategy.

1.3 Further details are included in the attached Cabinet report: Appendix 1: Capital Programmes – General Fund, Coalville Special Expenses and Housing Revenue Account (HRA).

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 11 DECEMBER 2018

Title of report	**2019/20 - 2023/24 DRAFT CAPITAL PROGRAMMES**
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and Section 151 Officer Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To advise Members of the likely Capital Outturn and the relevant financing for 2018/19 for the General Fund, Special Expenses and the Housing Revenue Account. To seek approval to the Draft General Fund, Special Expenses and HRA Capital Programmes for 2019/20 and to note indications for future years and associated funding for consultation.
Reason for decision	To enable projects to be included in the Programmes for consultation.
Council priorities	The projects in the Capital Programmes help the Council achieve all its priorities.
Implications:	
Financial/Staff	As contained in the report
Link to relevant CAT	The Capital programmes are potentially relevant to all Corporate Action Teams (CATs).
Risk Management	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Equalities Impact Screening	No impact at this stage
Human Rights	None Identified

Transformational Government	This relates to the new ways in which Councils are being asked to deliver their services
Comments of Deputy Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	Delegation and Collaboration Agreement in relation to the Lightbulb Programme – Cabinet 16 January 2018
Recommendations	**A. THAT THE ESTIMATED GENERAL FUND, COALVILLE SPECIAL EXPENSES AND H.R.A. CAPITAL OUTTURN FOR 2018/19 AND PLANNED FINANCING BE NOTED AT APPENDICES A, B AND C** **B. THAT CABINET APPROVES FOR CONSULTATION THE DRAFT CAPITAL PROGRAMMES IN 2019/20 DETAILED IN:** • **APPENDIX A - GENERAL FUND CAPITAL SCHEMES** • **APPENDIX C - H.R.A. CAPITAL SCHEMES** **AND IN 2020/21, THESE SCHEMES ONLY:** • **£1,150,000 FOR THE VEHICLE REPLACEMENT PROGRAMME, AS DETAILED IN PARAGRAPHS 3.6 TO 3.6.6** **C. THAT CABINET NOTES THE PROPOSED PROCUREMENT ROUTES IN RESPECT OF VEHICLES, EQUIPMENT AND PLANT AND DELEGATES THE AUTHORITY TO AWARD THESE CONTRACTS AND ANY ASSOCUIATED AGREEMENTS IN FURTHERANCE OF THE PROJECT TO THE STRATEGIC DIRECTOR OF PLACE IN CONSULTATION WITH THE PORTFOLIO HOLDER, SUBJECT TO FINAL APPROVAL OF THE CAPITAL PROGRAMMES IN FEBRUARY 2019.**

1.0 INTRODUCTION

1.1 By Regulation, all local authorities are required to have regard to the Prudential Code when setting their Capital Programmes. The core objectives of the Code are to ensure that Capital schemes are 'Affordable, Prudent and Sustainable'. This is reviewed in conjunction with both the Capital Strategy and the Treasury Management Strategy Statement (TMSS) which contains indicators that evidence compliance with the Code. These strategies will be presented to members with the budget in February 2019.

1.2 As part of the process of effectively assessing property items for inclusion in the capital programme, the Council has collated a Planned Preventative Maintenance (PPM) Schedule that prioritises works based on a matrix scoring system. Items of a capital nature that are essential have been included in the capital programme in 2019/20.

1.3 Appendix “A” shows the General Fund estimated outturn for 2018/19 and the proposed Capital Programme for 2019/20 to 2023/24.

1.4 Appendix “B” shows the Special Expenses estimated outturn for 2018/19

1.5 Appendix “C” shows the H.R.A. estimated outturn for 2018/19 and the proposed Capital Programme for 2019/20 to 2023/24.

2.0 GENERAL FUND - ESTIMATED OUTTURN 2018/19

2.1 The projected outturn for 2018/19 on General Fund schemes totals £6,658,691. This is a managed increase of £3,521,438 on the original budget for the year of £3,137,253.

2.2 This managed increase is caused by the following:

Schemes carried forward from 2017/18	**£**	**£**
Refuse Vehicles	677,330	
Vans – Medium	56,500	
Access Rd High St car park, Measham	25,000	
Belvoir Shopping Centre Main Service Road	10,296	
HPLC car Park - resurfacing section of	15,000	
Swannington Depot Demolition	34,500	
Coalville Market (phase 2)	11,371	
Coalville Park reconfigure depot	103,552	
Wellbeing centre HPLC	399,250	
Car park - Ashby Cultural Quarter	612,535	
Memorial Clock Tower	120,000	
Disabled Facilities Grant – Slippage into 2018/19	5,848	
Total		**2,071,182**
Additional Approved Schemes and Virements 2018/19		
Car Park - Ashby Health Cultural Quarter	(100,000)	
HPLC Ashby - Wall improvements and statue	100,000	
Disabled Facilities Grant – Slippage into 2018/19	(52,849)	
Fleet Programme (Net overspend agreed)	18,418	
Marlborough Square	1,100,605	
Marlborough Square – further funding	546,000	
Castle Donington College - AWP resurfacing	662	
Finance System review - increase in scheme	50,000	
Finance System review - Vired to revenue	(400,000)	
User Screen replacement - vired to revenue	(25,000)	

Hood Park LC Car Park Ashby - Resurfacing (section of)	(12,716)	
Car Park - Ashby Health Cultural Quarter	12,716	
Memorial Clock Tower	40,000	
New Market Provision	600,000	
Total		**1,877,836**
Planned Slippage in 2018/19 carried forward to 2019/20		
Council Offices - Upgrade Fire Alarm system	(30,000)	
Total		**(30,000)**
Underspends - not required - Identified in 2018/19		
Hood Park LC Car Park Ashby - Resurfacing (section of)	(2,284)	
Linden Way Depot Workshop Extension (For 8 wheelers)	(90,000)	
Linden Way Depot Extension	(200,000)	
IDOX Platform	(30,000)	
Access Road High St Car Park Measham	(25,000)	
Belvoir Shopping Centre-Main Service Road, Coalville-Maintenance	(10,296)	
North Service Road Car Park coalville - Improvements	(40,000)	
Total		**(397,580)**
Total Managed Increase		**3,521,438**
Total Managed Increase Funded by: (Net Position)		
Revenue	(55,000)	
Reserves	2,929,890	
Other Contributions	399,250	
Grant	81,252	
Internal Borrowing (USB)	166,046	
Total		**3,521,438**

2.3 The total planned financing of the General Fund expenditure totalling £6,658,691 in 2018/19 is:

	£
Disabled Facilities Grant	572,989
S106 Contributions	399,250
Revenue Contributions to Capital	50,000
Capital Receipts	30,000
Reserves	3,069,154
Grants	81,252
Unsupported Borrowing – Internal	2,456,046
Total	**6,658,691**

2.4 There were sufficient funds identified prior to this capital spend being committed.

2.5 The ‘Schemes Carried Forward’ shown in paragraph 2.2 above, represents expenditure which was originally expected and budgeted for in 2017/18 but has slipped into 2018/19. The budgeted financing has also been carried forward.

3.0 GENERAL FUND CAPITAL PROGRAMME 2019/20 TO 2023/24 – INDIVIDUAL SCHEMES

3.1 The programme for 2019/20 to 2023/24 is detailed in Appendix A. This programme provides for a continuation of the current Disabled Facilities Grants Scheme and the Vehicle Replacement Programme.

3.2 Schemes shown as slippage from 2018/19 and carried forward to 2019/20 are detailed in the table in paragraph 2.2 above.

3.3 In addition, the following new schemes are included in the programmes for approval to commence in 2019/20:

3.4 Planned Preventative Maintenance schemes (£819,450)

3.4.1 Moira Furnace – Masonry and Drainage (£40,000)
Moira Furnace is a listed Scheduled Monument. A condition survey completed for the 2018/19 budget setting process, identified that urgent remedial actions were required and a £170,000 budget was allocated in 2018/19. Further drainage works have been identified for the building.

3.4.2 Moira Furnace – Upgrade to Furnace and Bridge and further remedial works (£85,000)
This budget will ensure that works to the bridge and surrounding site can be completed to enhance the experience for visitors and users of the site.

3.4.3 Council Offices – Upgrade to failing/obsolete Fire Alarm System (£63,000)
The age of the existing fire alarm system is outdated with spare parts becoming obsolete. The original scheme for £30,000 was agreed by Cabinet in the capital programme for 2018/19. The slippage from this original budget is included in Table 2.2 above to be spent in 2019/20. An increase to this scheme of £33,000 is requested. This revised total allocation of £63,000 is to ensure that the outdated alarm can be upgraded.

3.4.4 Council Offices – Replacement Cotag System (£44,000)
The Cotag system has been in place for 25 years and is now at risk of failure and therefore is due for replacement. This work can be undertaken alongside the Fire Alarm System work to minimise disruption to staff and services.

3.4.5 Council Offices – Replace obsolete parts to consumer units (£75,000)
The consumer unit does not meet the current legislation ie. 17^{th} Edition of BS7671. There is no residual circuit breakers and parts for the current consumer unit are obsolete.

3.4.6 Council Offices – Replacement LED Lighting throughout (£35,000)
This will reduce the carbon footprint of the council offices, reducing electricity bills and will provide more natural light for employees.

3.4.7 Council Offices – Insulate roof space (£30,000)
The insulation in the loft space of the Council offices is approximately 100mm. The requirements for loft insulation have been increased to 250mm. increasing the insulation to the required amount will boost thermal comfort and reduce energy bills.

3.4.8 Council Offices – Lift Works (£100,000)

Installation of new lift. The current lift is becoming expensive to maintain due to recurring problems and could potentially fail. This would mean that the first floor would be inaccessible to disabled people and heavy or cleaning equipment would also be unable to be transported to the first floor.

3.4.9 Council Offices – Upgrade walkways including double glazing and insulated panels (£250,000)
The external walkways of Stenson House and the council offices are showing signs of deterioration and decayed timber. Repairs will need to be carried out to the structure of the walkways which will include scaffolding for access and decoration on completion. The windows are single glazed and the walkway is ~~are~~ therefore difficult and expensive to heat. By replacing the windows with double glazed units and insulated panels, energy costs will be reduced and would provide a more comfortable environment for users of the building.

3.4.10 Council Offices Stenson House – Replacement windows, light wells (£35,450)
The light wells in the centre of Stenson House require the current single glazed windows replacing with double glazed windows. This will require access via scaffolding. To maximise the cost of the scaffolding, decoration works will be undertaken in unison with the replacement windows.

3.4.11 Council Offices Stenson House – External works to roadway frontage (£50,000)
The circular drive in front of Stenson House is currently paved with slabs and kerbs as an upstand around the area. The paving slabs have become uneven causing a potential health and safety hazard. The kerb edgings also need to be reset as they act as a retaining edge for the gardens around the circle.

3.4.12 Whitwick Business Centre – Replacement LED Lighting (£12,000)
This will reduce the carbon footprint, reducing electricity bills and will be more attractive to prospective tenants.

3.5 New Schemes for consideration (£13,376,140)

3.5.1 LAN Switches Replacement (£15,500)
Network capacity expansion within the Council Offices. 3 of the existing network cabinets have reached maxium capacity. In order to provide room for expansion, agile working and mobile working, 3 * additional switches are required.

3.5.2 Wi-Fi Management Portal (£25,000)
Central Management Portal for the Wi-Fi network, so that we can manage, its configuration and settings from a central location. Currently we have to manage each remote access point individually.

3.5.3 Telephony Unified Communication (£130,000)
Replacement of the Alcatel VOIP platform and Contact centre, with a new Skype unified communications platform to modernise the Council's telephony and unified communications. This will be a new contact centre platform for Customer Services, to provide up-to-date contact centre features and reduction in overall telephony cost.

3.5.4 Professional Services for windows 2008 to Windows 2016 migration (£45,000)
35 servers are currently running key line of business applications. Windows server 2008 comes to end of life on January 14 2020, from this date there will be no more security

updates or patches, which leaves the servers vulnerable and the Council at risk to increased cyber attack. The applications on these servers need to be migrated to new servers and require the help of suppliers to migrate the applications to Windows Server 2016.

3.5.5 Disabled Facility Grants (£649,640)
Continuing Disabled Facilities Grant function that has been delegated to the lead authority (Blaby District Council) under the Lightbulb Project Scheme – Cabinet report on “Delegation and Collaboration Agreement in relation to the Lightbulb Programme” 16 January 2018.

3.5.6 GM Depot Coalville Park – Concreting Grounds (£40,000)
Replacement of the existing tarmac surface at the Grounds Maintenance depot at Coalville Park with a concreted surface. In 2017/18, over £3,000 of materials and £2,000 of labour costs - over £5,000 in total - were spent on tarmacing damaged areas of the compound and refilling potholes. This doesn't take into account any damage to vehicles caused by the uneven and damaged surface, or the health and safety risk apparent to staff, visitors, and vehicles. The revenue costs are likely to increase annually as the surface gets older. Concreting the surface would last for a minimum of 30 years and would be unlikely to require ongoing revenue funding for repairs or reinstatement, as the concrete will continue to get harder over time and would be less likely to fall into disrepair.

3.5.7 Leisure Centre Project (£12,276,000)
As per the scheme reports to Cabinet

3.5.8 Salt bay Cover – (£20,000)
Cover for the bay where the salt is stored which needs to be on rails so that the salt can be easily loaded and unloaded with machinery.

3.5.9 Appleby Magna Caravan Site redevelopment (£175,000)
The Council has owned and managed a residential caravan site in Appleby Magna for many years. This site now has 8 remaining residents, and is in need of extensive refurbishment to ensure it meets modern standards. Discussions with the residents about the refurbishment are ongoing, and it is anticipated that a design for the replacement site will be completed by the end of 2018/19. This will then require planning permission prior to works being undertaken, which it is expected will be over a 2 year period (2019/20 and 2020/21).

3.6 Fleet Replacement Programme (£701,000 2019/20 and £1,150,000 2020/21)

3.6.1 Fleet Replacement is a rolling programme. Each year a number of vehicles either come to the end of their useful economic life when each of these vehicles are reviewed based on its age, condition, mileage or potential risk of major repairs (due to being out of warranty). A decision is made to replace the vehicle or to extend its life for a further period.

3.6.2 These decisions are made in the previous year in order to allow a suitable lead-in period from order to delivery in April, particularly for large items such as refuse vehicles. Many of these vehicles are built to order and these orders have to be placed before October for delivery the following April. Therefore, although they are actually acquired in April a commitment has to be made in the previous year.

3.6.3 Due to service requirements, approval is sought to amend the 2019/20 fleet budget from £600,000 to £701,000; a net increase of £101,000. This increase consists of: the addition of seven vehicles, a Box Lorry (£65,000) and six Medium Vans (£100,000) for the housing service; the reduction of 1 small van (-£14,000); the cost of the refuse/recycling vehicles has been revised down (-£50,000).

3.6.4 The total fleet budget for 2019/20 is now as follows:

Vehicles / Plant & Equipment	**Original Budget £**	**Revised Budget £**
Refuse / Recycling Vehicles	425,000	375,000
Vans - Small	30,000	16,000
Vans - Medium - Housing	80,000	180,000
Vans – Box Lorry	0	65,000
2 x Mowers	65,000	65,000
TOTAL	**600,000**	**701,000**

3.6.5 In order to progress with the 2020/21 purchases, approval is sought for the following vehicles:

Vehicles / Plant & Equipment	Budget **£**
3 x Refuse / Recycling Vehicles	660,000
2 x Market Vehicles / Cars	24,000
1 x Vans Small	16,000
10 x Vans Medium - Housing	180,000
2 x Vans – Box Lorry	130,000
Sweepers	130,000
Misc Plant/equipment	10,000
Total	**1,150,000**

3.6.6 The 2020/21 budget has been set based on the rolling vehicle replacement programme to ensure reliability and cost effectiveness of all fleet vehicles, to control maintenance costs, to avoid increased repairs to ageing vehicles and to ensure efficient service delivery.

3.7 The General Fund Capital Programme (2019/20) will be funded by:

Funding Stream	**£**
Disabled Facilities Grants	621,200
Revenue Contribution	28,440
Reserves	52,500
Capital Receipts	2,786,000
S106 Contributions	181,000
Unsupported Borrowing - Internal	11,227,450
Total	**14,896,590**

4.0 COALVILLE SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

4.1 There is one scheme in 2018/19 – Owen Street Football Floodlights budgeted to cost £50,000. This is on target and the forecast outturn is £50,895 (Appendix B).

4.2 There are no new schemes identified to commence in 2019/20.

5.0 H.R.A. CAPITAL PROGRAMME – 2019/20 - 2023/24 INDIVIDUAL SCHEMES

5.1 The HRA Capital programme (Appendix "C") covers in detail the capital schemes for the period 2019/20 to 2023/24.

5.2 Planned spend in 2019/20 and onwards consists mainly of:

5.2.1 <u>Home Improvement Programme (HIP)</u>
The Council brought all of its homes up to the Decent Homes standard in 2014/15 and is forecast to spend £4.2m on maintaining decency in 2019/20. Each year will require further investment to ensure that 100% of homes remain at this minimum quality standard.

The Home Improvement Programme for the remaining 4 year period will see an investment of £10.5m in improving tenants' homes.

5.2.2 <u>New Build/Affordable Housing Programme</u>
The current programme comprises -

Former Cocked Hat site, Cropston Drive	- 12 homes
Coalville Police Station	- 24 homes
Potential scheme in Whitwick, current estimate	- 24 homes
Total	= up to 60 homes

The above schemes will see a planned investment of £3.2m for 2019/20 with a further £1.6m investment planned in 2020/21. Other HRA owned sites are currently being considered for inclusion in the programme, as are further acquisitions of properties through s106, or other, deals with developers for which an additional sum of £1.7m has been included in the 2019/20 programme, provisionally funded by a revenue contribution. A variety of funding streams can be used to fund these initiatives, including commuted sums.

5.2.3 <u>Renewable Energy Installation Programme</u>
The renewable energy is generated by air source heat pumps which are being installed to replace solid fuel heating. Originally the programme was to be carried out over three years and end during the 2019/20 financial year. Everwarm Group were selected as the contractor to complete the programme of replacement heating systems.

Due to the efficient working of Everwarm they will be able to complete the programme by the end of the current financial year. Therefore the capital programme has been realigned and an additional £1.5m included in the forecast spend for 2018/19. It is proposed to cover this amount by the underspend caused by other projects being delayed and moved to 2019/20. Appendix C reflects these changes.

5.2.4 Other Schemes / Miscellaneous

There are various other schemes with brief notes in the Housing Capital Programme as per Appendix C.

In relation to the proposed sale of higher value empty homes, a provision of £1m originally included in the 2017/18 capital programme has been revised to nil. This follows a change in the government's policy as detailed in the social housing green paper in the summer. To accommodate the inclusion of the expenditure within the capital programme, capital receipts income from asset disposals had also been included. For consistency, this has been reduced in line with the removal of the expenditure requirement.

5.2.5 Future Funding

The long term HRA business plan continues to be based on a 1% rent reduction for 2019/20 and then, following recent guidance from the Government, at rent increases of CPI plus 1% for five years, then reverting to CPI plus 0.5% for the reminder of the 30 year period the plan covers. The latest guidance on future rent increase levels provides greater certainty for the five-year period following rent reductions, and additional efficiencies will continue to be sought.

6.0 CAPITAL RESOURCES

6.1 The resources estimated to be needed to finance the **General Fund** programme 2019/20 to 2023/24 totals £28,728,960 and is as follows:

	£
2019/20	14,896,590
2020/21	10,070,640
2021/22	1,466,950
2022/23	1,139,250
2023/24	1,155,530
Total	**28,728,960**

6.2 Details of the planned funding of the programmes are included in Appendix A.

6.2.1 Funding is in place in 2019/20 for the Disabled Facilities Grants Scheme (£649,640) consisting of £621,200 Disabled Facilities Grants and £28,440 of revenue contribution.

6.2.2 A S106 contribution of £181,000 has been identified for the Leisure Centre Project.

6.2.3 Funding from reserves have been identified for: LAN switches replacement (£15,500); W-Fi Management Portal (£25,000); and Whitwick Business Centre Replacement LED Lighting (£12,000).

6.2.4 For 2019/20, £11,000 of capital receipts from vehicles sold will be used to supplement the Fleet programme and £2,775,000 of forecast capital receipts from sale of land will be used to support the Leisure Centre Project.

6.2.5 The remaining schemes for 2019/20 (£11,227,450) can be funded by either unsupported borrowing or leasing depending on value for money and for which, provision has been made in the 2019/20 Revenue Budget.

6.3 The following resources are budgeted to be available for financing the **Housing Revenue Account programme** in 2019/20:

	£
Usable Balances	5,912,062
Retained Right to Buy Receipts	247,956
Right to Buy Receipts – Attributable debt	998,943
Use of Right to Buy 'One for One' reserve	920,464
Direct Revenue Financing	1,700,000
Major Repairs Allowance	3,139,190
Asset Disposals (Capital Allowance)	400,000
Renewable Heat Incentive	200,000
S106	215,697
Total Resources	**13,734,312**
Less Budgeted Expenditure	12,559,559
Surplus to be carried forward to 2020/21	**1,174,753**

7.0 PROCUREMENT ROUTES

7.1 Where the authority is required to enter into a contract which has a value of £100,000 or more, Cabinet authority is sought prior to award of the contract. As Cabinet is considering the budgetary implications of the Capital Programmes, it is efficient for Cabinet to consider the award of subsequent high-value contracts at the same time. Cabinet may also be asked to address a request for a waiver to the Contract Procedure Rules (CPR) for a particular selection of contract opportunities. Each will be considered in turn.

7.2 Although the procurement processes may be commenced sooner, the contract award will not take place before Council has approved the budget for the Capital Programmes. The authority's procurement documentation gives it a right not to award a contract, should Council not approve the budget.

7.3 Each year, as part of the Fleet, Plant and Equipment Replacement Programme, replacements will need to be made to some of the Council's vehicles, equipment and plant. Officers will select the most appropriate public sector framework or procurement route for each item, considering which offers value for money for the Council at the time of procurement.

7.4 Cabinet is asked to delegate award of the subsequent contracts for vehicles, equipment and plant to the Strategic Director of Place in consultation with the Portfolio Holder.

7.5 Where not using pre-existing contracts or frameworks all procurement processes for contracts over £25,000 will be advertised and available for local suppliers to submit bids, should they be of interest.

8.0 CONSULTATION

8.1 The Cabinet's draft Capital Programme will be presented to the Policy Development Group at its meeting on 9 January 2019.

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APPENDIX A

DRAFT GENERAL FUND CAPITAL PROGRAMME 2019/20 to 2023/24

		CURRENT				FUTURE					FUNDING					
SCHEME	**BUDGET HOLDER**	**2018/19 ORIGINAL BUDGET**	**2018/19 REVISED BUDGET**	**2018/19 Actual @ Period 7**	**2018/19 FORECAST (Inc c/f & slippage)**	**2019/20**	**2020/21 Indicative**	**2021/22 Indicative**	**2022/23 Indicative**	**2023/24 Indicative**	**GRANTS/ S106 CONTS**	**DF GRANTS**	**Capital Receipts**	**RESERVES**	**REVENUE**	**LEASING OR BORROWING**
		£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
HR / Payroll System	Anna Wright	0	**0**	(809)	0	0	0	0	0	0				0		0
Finance System / Review	Anna Wright	450,000	**100,000**	0	100,000	0	0	0	0	0						100,000
Server and storage additional capacity	Sam Outama	68,000	**68,000**	67,952	68,000	0	0	0	0	68,000						136,000
IDOX Platform	Sam Outama	30,000	**0**	0	0	0	0	0	0	0				0		0
User Screen Bulk Replacement	Sam Outama	25,000	**0**	0	0	0	0	0	0	0				0		0
Website Intranet and Internet	Sam Outama	0	**0**	0	0	0	50,000	0	0	0						50,000
LAN Switches replacement	Sam Outama	0	**0**	0	0	15,500	0	0	0	90,000				15,500		90,000
WAN and DC Renewal	Sam Outama	0	**0**	0	0	0	518,000	0	0	0						518,000
Wi-Fi Replacement	Sam Outama	0	**0**	0	0	0	0	0	0	55,000						55,000
Wi-Fi Management Portal	Sam Outama	0	**0**	0	0	25,000	0	0	0	0				25,000		
Desktop Equipment Upgrade	Sam Outama	0	**0**	0	0	0	0	120,000	0	0						120,000
Laptop Replacements	Sam Outama	0	**0**	0	0	0	0	0	25,000	0						25,000
Telephony Unified Communication	Sam Outama	0	**0**	0	0	130,000	0	0	0	0						130,000
Professional Services for Windows 2008 to Windows 216 Migration	Sam Outama	0	**0**	0	0	45,000	0	0	0	0						45,000
Disabled Facility Grants	Minna Scott	762,253	**715,251**	465,902	715,251	649,640	648,640	647,950	647,250	646,530		3,678,989		92,262	184,010	0
Refuse Vehicles & Refuse Kerbsider	Claire Preston	650,000	**1,327,330**	1,313,437	1,313,437	375,000	660,000	220,000	320,000	180,000			41,000			3,027,437
Market Vehicles/Cars	Claire Preston	0	**0**	0	0	0	24,000	32,000	0	0						56,000
Vans - Small	Claire Preston	0	**0**	0	0	16,000	16,000	32,000	17,000	36,000						117,000
Vans - Medium	Claire Preston	210,000	**266,500**	264,110	264,110	180,000	180,000	100,000	100,000	-						824,110
Vans - Pickup	Claire Preston	35,000	**35,000**	39,482	39,482	0	0	100,000	30,000	80,000						249,482
Vans - Box Lorry	Claire Preston	40,000	**58,102**	60,920	60,920	65,000	130,000	0	0	0				18,418		237,502
Sweeper	Claire Preston	50,000	**50,000**	63,565	63,565	0	130,000	130,000	0	0						323,565
Digger/Misc Plant	Claire Preston	50,000	**50,000**	43,964	43,964	0	0	35,000	0	0						78,964
Mowing	Claire Preston	60,000	**60,000**	61,770	61,770	65,000	10,000	50,000	0	0						186,770
Swannington depot - Demolition	Claire Preston	0	**34,500**	19,740	34,500	0	0	0	0	0						34,500
Belvoir Shopping Centre-Main Service Road, Coalville-Maintenance	Clare Proudfoot	0	**10,296**	0	0	0	0	0	0	0						0
High Street Car Park Measham - Access Road resurfacing	Clare Proudfoot	0	**25,000**	0	0	0	0	0	0	0						0
North Service Road Car Park Coalville - Improvements	Clare Proudfoot	40,000	**40,000**	0	0	0	0	0	0	0						0
Linden Way Depot - Extension	Karen Cannon	200,000	**0**	0	0	0	0	0	0	0						0
Linden Way Depot - Workshop Extension	Karen Cannon	90,000	**0**	0	0	0	0	0	0	0						0
GM Depot Coalville Park - Concreting Grounds	Jason Knight	0	**0**	0	0	40,000	0	0	0	0						40,000
District Car Parks - LED Lighting Replacement	Clare Proudfoot	25,000	**25,000**	0	25,000	0	0	0	0							25,000
Coalville Market Upgrade (Phase2)	Paul Sanders	0	**11,371**	0	11,371	0	0	0	0					11,371		0
Wellbeing Centre at HPLC	Paul Sanders	0	**399,250**	0	399,250	0	0	0	0		399,250					
Leisure Centre Project	Paul Sanders	0	**0**	0	0	12,276,000	7,199,000	0	0		181,000		2,775,000			16,519,000
HPLC Ashby - Wall Improvements and Statue	Paul Sanders	0	**100,000**	37,920	100,000	0	0	0	0					100,000		
Coalville Park-Reconfigure Depot, replace building	Jason Knight	0	**103,552**	90,704	103,552	0	0	0	0					8,552		95,000
Hood Park LC-Replace outdoor learner pool boiler and pipework	Jason Knight	10,000	**10,000**	0	10,000	0	0	0	0							10,000
Hermitage LC-Replace hot water system pipework, heat emitters & cold water storage tank	Jason Knight	18,000	**18,000**	0	18,000	0	0	0	0							18,000
Hermitage LC-Replace gym air con	Jason Knight	14,000	**14,000**	0	14,000	0	0	0	0							14,000
Car Park - Ashby Cultural Quarter	Karen Cannon	0	**525,252**	525,252	525,252	0	0	0	0	0				512,536		12,716

APPENDIX A

DRAFT GENERAL FUND CAPITAL PROGRAMME 2019/20 to 2023/24

		CURRENT				FUTURE					FUNDING					
SCHEME	**BUDGET HOLDER**	**2018/19 ORIGINAL BUDGET**	**2018/19 REVISED BUDGET**	**2018/19 Actual @ Period 7**	**2018/19 FORECAST (Inc c/f & slippage)**	**2019/20**	**2020/21 Indicative**	**2021/22 Indicative**	**2022/23 Indicative**	**2023/24 Indicative**	**GRANTS/ S106 CONTS**	**DF GRANTS**	**Capital Receipts**	**RESERVES**	**REVENUE**	**LEASING OR BORROWING**
Memorial Clock Tower	Karen Cannon	0	**120,000**	105,681	160,000	0	0	0	0	0	81,252			78,748		
Castle Donington College - All Weather Pitches - Re-surfacing	Karen Cannon	30,000	**30,662**	30,662	30,662	0	0	0	0	0				662		30,000
Linden Way Depot - Welfare Facilities	Karen Cannon	50,000	**50,000**	0	50,000	0	0	0	0	0						50,000
Moira Furnace - Masonry & Drainage	Karen Cannon	170,000	**170,000**	0	170,000	40,000	0	0	0	0						210,000
Moira Furnace - Upgrades to furnace and Bridge & further remedial works	Karen Cannon	0	**0**	0	0	85,000	0	0	0	0						85,000
Council Office - Upgrade to failing obsolete fire alarm system	Karen Cannon	30,000	**30,000**	0	0	63,000	0	0	0	0						63,000
Council Office - Replacement Cotag system	Karen Cannon	0	**0**	0	0	44,000	0	0	0	0						44,000
Council Offices - Replace obsolete parts to consumer units following M&E survey	Karen Cannon	0	**0**	0	0	75,000	0	0	0	0						75,000
Council Offices - Replacement LED Lighting throughout (Stenson House & Main Building)	Karen Cannon	0	**0**	0	0	35,000	0	0	0	0						35,000
Council Offices - Insulate roof space to building	Karen Cannon	0	**0**	0	0	30,000	0	0	0	0						30,000
Council Offices - Install solar power	Karen Cannon	0	**0**	0	0	0	40,000	0	0	0						40,000
Council Office - Main Building Lift works	Karen Cannon	30,000	**30,000**	0	30,000	100,000	0	0	0	0						130,000
Council Offices - Main Building - Upgrade of all walkways, double glazing and insulated panels	Karen Cannon	0	**0**	0	0	250,000	0	0	0	0						250,000
Council Offices - Main Building - Replacement windows generally	Karen Cannon	0	**0**	0	0	0	250,000	0	0	0						250,000
Council Offices - (Stenson House) Replacement windows Lightwells and External works	Karen Cannon	0	**0**	0	0	35,450	0	0	0	0						35,450
Council Offices - (Stenson House) External works to roadway outside registry office	Karen Cannon	0	**0**	0	0	50,000	0	0	0	0						50,000
Whitwick Business Centre - Replace Lighting with LED	Karen Cannon	0	**0**	0	0	12,000	0	0	0	0				12,000		
Whitwick Business Centre - Installation of Solar Power	Karen Cannon	0	**0**	0	0	0	40,000	0	0	0				40,000		
Marlborough Square	Mark Fiander	0	**1,646,605**	156,850	1,646,605	0	0	0	0	0				1,646,605		
New Market Provision	Paul Sanders	0	**600,000**	0	600,000	0	0	0	0	0				600,000		
Salt Bay Cover	Claire Preston	0	**0**	0	0	20,000	0	0	0	0						20,000
Appleby Magna Caravan Site - redevelopment		0	**0**	0	0	175,000	175,000	0	0	0						350,000
TOTAL GENERAL FUND		**3,137,253**	**6,723,671**	**3,347,102**	**6,658,691**	**14,896,590**	**10,070,640**	**1,466,950**	**1,139,250**	**1,155,530**	**661,502**	**3,678,989**	**2,816,000**	**3,161,654**	**184,010**	**24,885,496**

APPENDIX B

DRAFT SPECIAL EXPENSES CAPITAL PROGRAMME 2018/19 to 2022/23

SCHEME	BUDGET HOLDER	2018/19 ORIGINAL BUDGET	2018/19 REVISED BUDGET	2018/19 Actual @ Period 7	2018/19 FORECAST (Inc c/f & slippage)	2019/20	2020/21 Indicative	2021/22 Indicative	2022/23 Indicative	2023/24 Indicative	FUNDING GRANTS/ S106 CONTS	GRANTS	Capital Receipts	VfM Reserve	OTHER RESERVES	REVENUE	LEASING OR BORROWING
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Owen Street Football floodlights	Property	50,000	**50,895**	50,895	50,895	0	0	0	0	0	50,895	0	0	0	0	0	0
TOTAL GENERAL FUND		**50,000**	**50,895**	**50,895**	**50,895**	**0**	**0**	**0**	**0**	**0**	**50,895**	**0**	**0**	**0**	**0**	**0**	**0**

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2019/20 - 2023/24 HOUSING CAPITAL PROGRAMME, VERSION 4 **APPENDIX C**

	F'cast 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
2019 - 2024 Home Improvement Programme:						
Home Improvement Programme	1,281,341	4,236,106	2,800,195	2,642,184	2,910,872	2,165,383
Non Decency Improvements	-	-	-	-	-	-
2019 - 2024 Home Improvement Programme Total	**1,281,341**	**4,236,106**	**2,800,195**	**2,642,184**	**2,910,872**	**2,165,383**
New Build:						
New Build Programme - use of RTB one for one reserve	216,683	920,464	463,710	13,815		
New Build Programme - NWLDC contribution to RTB one for one	505,594	2,147,748	1,081,990	32,235		
New Build Programme - NWLDC additional provision	2,072,977	215,697	27,000		-	-
Gifted units	35,586					
Acquisition of sites/homes	160,000	1,700,000	-	-	-	-
New Build Total	**2,990,840**	**4,983,909**	**1,572,700**	**46,050**	**-**	**-**
Estate Improvements:						
Mobility Scooter Stores	-	108,526	-	-	-	-
Off Street Parking	-	412,500	100,000	150,000	150,000	150,000
Footpaths & Unadopted Roads	-	137,500	75,000	125,000	100,000	100,000
Garage Demolition & Replacement	-	65,270	60,000	60,000	60,000	60,000
Handrail Replacement	-	55,000	-	-	-	-
Estates Projects - Other		-	370,000	557,553	726,551	761,837
Estate Improvements Total	**-**	**778,796**	**605,000**	**892,553**	**1,036,551**	**1,071,837**
Compliance:						
Fire Risk Assessment Remedial Works	87,000	162,000	125,000	100,000	87,000	87,000
Compliance Total	**87,000**	**162,000**	**125,000**	**100,000**	**87,000**	**87,000**
Major Aids & Adaptations	**275,000**	**295,000**	**250,000**	**200,000**	**200,000**	**200,000**
Renewable/Replacement Energy Installations Programme	**2,813,000**	**104,780**	**-**	**-**	**-**	**-**
Supported Housing Improvements:						
Speech Module	-	100,000	-	-	-	-
Sheltered Housing Improvements	-	200,000	250,000	300,000	200,000	200,000
Supported Housing Improvements Total	**-**	**300,000**	**250,000**	**300,000**	**200,000**	**200,000**
Active Asset Management:						
Property Demolition	-	197,400	-	-	-	-
Capital Works - Voids	217,500	355,000	350,000	350,000	398,000	350,000
Professional Fees	-	70,000	70,000	70,000	70,000	70,000
Active Asset Management Total	**217,500**	**622,400**	**420,000**	**420,000**	**468,000**	**420,000**
Other Capital Spend:						
New Housing Systems	362,751	597,458	23,170	-	-	-
PNC8 Software Upgrade - Central Control	-	45,400	-	-	-	-
Capital Works - Other	-	-	-	-	-	-
Unallocated/Contingency	-	-	-	-	-	-
Other Capital Spend Total	**362,751**	**642,858**	**23,170**	**-**	**-**	**-**
Capital Salaries	**440,389**	**433,710**	**433,710**	**433,710**	**433,710**	**433,710**
Total Programme Costs	**8,467,821**	**12,559,559**	**6,479,775**	**5,034,497**	**5,336,133**	**4,577,930**
Funding						
Usable balances held @ 31/03/18	**0**	**5,912,062**	**1,174,753**	**81,539**	**579**	**579**
Major Repairs reserve balances held @ 31/03/18	**3,030,824**	0	0	0	0	0
Retained Right to Buy Receipts	**245,501**	**247,956**	**250,435**	**252,939**	**252,939**	**252,939**
RTB receipts - attributable debt	**970,321**	**998,943**	**872,462**	**807,989**	**681,459**	**678,969**
RTB receipts committed for one to one spend (balance)	**2,241,328**					
Use of RTB one for one reserve	**216,683**	**920,464**	**463,710**	**13,815**	**0**	**0**
Other Usable balances held @ 31/03/18	**1,699,109**	0	0	0	0	
RCCO	**0**	**1,700,000**	**0**	**100,270**	**616,335**	**0**
Major Repairs Allowance	**3,139,190**	3,139,190	3,172,954	3,178,525	3,185,399	3,195,080
Asset Disposals (Capital Allowance)	**603,950**	400,000	400,000	400,000	400,000	400,000
Renewable Heat Incentive	**0**	200,000	200,000	200,000	200,000	200,000
Section 106	**2,232,977**	215,697	27,000	0	0	0
	14,379,883	**13,734,312**	**6,561,314**	**5,035,076**	**5,336,712**	**4,727,568**
Cumulative over/(under) resource	**5,912,062**	**1,174,753**	**81,539**	**579**	**579**	**149,638**

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 9 JANUARY 2019

Report Title	**2019 - 2024 MEDIUM TERM FINANCIAL STRATEGY**
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance and S151 Officer 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To receive comments on the draft 2019-2024 Medium Term Financial Strategy
Council priorities	Value for Money
Implications:	
Financial/Staff	Financial issues are contained with the appended Cabinet report
Link to relevant CAT	None
Risk Management	There are a number of risks associated with the medium term financial plan as clearly future events cannot be accurately predicted and as a result the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding. A risk and sensitivity analysis is included within the report.
Equalities Impact Screening	None
Human Rights	None
Transformational Government	The appended Cabinet report provides an update in respect of the Journey to Self-Sufficiency Programme.
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	Report is satisfactory

Consultees	None
Background papers	None
Recommendations	**THAT POLICY DEVELOPMENT GROUP NOTE AND COMMENT ON THE CONTENTS OF THE REPORT**

1.0 BACKGROUND

1.1 The 2019-2024 Medium Term Financial Strategy was presented to the Cabinet for information at its meeting on the 11 December 2018.

1.2 The Policy Development Group is invited to note the report and provide any comments to Cabinet to take into account when it consider the final Medium Term Financial Strategy on 5 February 2019. Separate reports appear on this agenda covering the Council's draft General Fund and Housing Revenue Account Budget proposals and Draft Capital Programmes.

1.3 Further details are included in the attached Cabinet report: Appendix 1: 2019-2024 Medium Term Financial Strategy.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY 11 DECEMBER 2018

Title of report	**2019 – 2024 MEDIUM TERM FINANCIAL STRATEGY**
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To present members with the impact of modified assumptions within the council's Medium Term Financial Strategy and provide an update in respect of the Journey to Self Sufficiency Programme
Reason for decision	To keep members up to date in respect of the council's financial projections.
Council priorities	Value for Money
Implications:	
Financial/Staff	A review and revision of the assumptions used in the medium term financial plan and Housing Revenue Account business plan cash flow model upon drafting of the 2019/20 draft budget has resulted in a revised forecast financial position between 2019/20 - 2024. These are detailed in the report.
Link to relevant CAT	None.
Risk Management	There are a number of risks associated with the medium term financial plan as clearly future events cannot be accurately predicted and as a result the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding. A risk and sensitivity analysis is included within this report.
Equalities Impact Screening	None.

Human Rights Transformational Government	None. The report provides an update in respect of the Journey to Self-Sufficiency Programme.
Comments of Deputy Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	As report author, the report is satisfactory.
Comments of Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	Medium Term Financial Strategy Cabinet 6 Feb Medium Term Financial Council 27 Feb Provisional Outturn Cabinet 12 June
Recommendations	**THAT CABINET NOTE:** **1. THE REVISED MEDIUM TERM FINANCIAL PLAN** **2. THE PROGRESS OF THE JOURNEY TO SELF SUFFICIENCY PROGRAMME**

1.0 BACKGROUND

1.1 The council's Medium Term Financial Strategy 2018 – 2023 was approved by Cabinet on 6 February 2018 and presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period in respect of both the revenue and capital plans of the General Fund and Housing Revenue Account.

1.2 The strategy also promotes self-sufficiency to safeguard the Council's financial position against future central government funding changes. A new Self-Sufficiency reserve was created as part of the setting of the 2018/19 budget.

1.3 A review of the strategy's financial projections for the Council was undertaken in July 2018. The assumptions of both plans were reviewed in light of the financial outturn of the council for 2017/18, the Government's Spring Statement and other known information concerning the predictions around future income and expenditure, such as developments arising from the Fair Funding Review, the government's departmental Spending Review and progress on the development of the national 75% Business Rate Retention System.

1.4 This report details the revised financial projections for the Council based on the forecast outturn for the 2018/19 financial year, the draft budgeted position for 2019/20, the Budget statement (announced by the Chancellor of the Exchequer on 29 October) and other known factors around the Fair Funding Review and Business Rates System as outlined in 1.3 above, pending the Government's Draft and Final Local Government Funding Settlement Announcement due in December 2018 and early 2019 respectively.

2.0 GENERAL FUND MEDIUM TERM FINANCIAL PLAN

2018/19 Forecast Outturn

2.1 The forecast position on the General Fund for 2018/19 is a surplus for the year of £720k, compared to a budgeted surplus of £299k. This is due to a number of favourable movements including an increase in anticipated Business Rate income of £100k, Salary underspends across the Council and additional taxi licencing income and commercial rental income. Full details of movements to Quarter 2 can be found in the Cabinet report dated 9 October 2018.

2.2 In line with the decisions made by council at its meeting on 27 February 2018, the budgeted surplus of £299k and any additional surpluses achieved will be transferred to the self-sufficiency reserve.

Medium Term Financial Plan - Projections as at July 2018

2.3 The projected deficit arising between 2018/19 and 2022/23, as last reported to members in July 2018 totalled £4.576m. To summarise this position, the following table details the projected financial position over the period:

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**TOTAL**
Surplus/(Deficit)	298	366	(1,301)	(1,662)	(2,278)	**(4,576)**

Review of Assumptions

2.4 Appendix B includes a list of the original assumptions included in the MTFS and details of assumptions that have been revised.

Fair Funding Review

2.5 The fair funding review, which will set new baseline funding allocation for all local authorities by delivering an up-to-date assessment of their relative needs and resources remains underway. Consultation was undertaken between December 2017 and March 2018 to assist in the development of a new formula for determining funding allocations from 2020/21 onwards. As was the case in July 2018, the government is yet to publish its response to consultation feedback. These funding allocations were last reviewed in 2013/14.

Budget Announcement and the Draft Local Government Finance Settlement

2.6 On 29 October 2018 the Chancellor of the Exchequer delivered the Autumn Budget. There were a number of announcements made that will affect the Council's financial position including additional business rate reliefs for retailers and additional 'Future High Streets Fund' for Local Authorities to bid for to support town centre transformation.

2.7 The detail of the Budget and its impact on Local Authority funding will be announced as part of the Local Government Finance Settlement on 6 December 2018.

2.8 The Budget announcement around the government's forecast in respect of CPI has been built into the revised assumptions.

2.9 The district has a number of key sectors that may be impacted by Brexit through the movement of goods or people: Logistics, Aviation, Hospitality, Manufacturing and Aggregates. Equally the District is also home to a number of foreign owned businesses and European Headquarters for global firms whose future is less certain in light of the EU exit. Through ongoing engagement with businesses via the Council's Economic Development team, there hasn't been any defined thought or movement from businesses to Brexit. Whilst Brexit may poses a risk to the Council's Business Rate income, officers have been unable to quantify this risk.

Draft Budget

2.10 The Net Cost of Service for 2019/20 has been based on the draft General Fund Revenue budget and inflated for future years. Details in respect of the budgetary proposals for 2019/20 can be found on the Draft General Fund Budget report on the same agenda as this paper.

2.11 The predicted surplus and contribution to General Fund reserves for 2019/20 is £762k. Subject to 2018/19 outturn this position, this surplus position will take the Self-Sufficiency Reserve from an estimated £3.48m at 31 March 2019 to £4.242m at 31 March 2020.

Business Rates

2.12 Work in respect of the Business Rate Retention Scheme (BRRS) also continues. This review will implement the move from the 50% Business Rate Retention Scheme to that of 75% system from 2020/21.

2.13 The revised system will also implement the reset of the business rates baseline, which represents the anticipated level of business rates within a locality. This baseline is used within the existing 50% retention system to share business rates between local preceptors and the government. Income collected that is above this baseline tends to be as a result of growth in the local area and under the retention system, is shared on a basis that is more favourable to the council. There is not yet any detail regarding the date at which the baseline will be referenced against, however we do know that it will be implemented from 2020/21.

2.14 Work has been undertaken to assess the likely growth in business rates to the Council in consultation with the Revenues and Benefits and Business Focus teams. Assessing growth is a continuous exercise due to the fluidity of business growth and decline.

Additionally, this team is also seeking to establish a methodology for identifying the risk exposure that businesses in North West Leicestershire face in the light of Brexit and EU trading changes and the resultant risk of loss in business rates for the council.

2.15 The version of the Medium Term Financial Plan presented to members in July assumed that a full business rates baseline reset would be implemented in 2020/21 at the 2018/19 level of rates due to the Council. This assumption has now been revised based on advice from our funding advisors Pixel to assume a partial reset (50%) from 2020/21 at the 2018/19 level of rates collected.

2.16 Other scenarios for the resetting of the business rates baseline include a full reset and/or reset at 2017/18 or 2019/20 level of rates collected. A full reset is less favourable to the council. Similarly rates being reset at the 2019/20 level would be less favourable as the reset would absorb more of the growth anticipated in 2019/20. An assessment of the sensitivity to likely other Business Rates baseline reset scenarios can be found in Appendix G

New Homes Bonus

2.17 In the Government's September 2018 consultation on the Draft Local Government Finance Settlement, it was stated that 2019/20 represented the final year of New Homes Bonus funding agreed through the 2015 Spending Review. The Government stated that they would explore how to incentivise housing growth most effectively going forward and would consult on any proposed changes.

2.18 The Government also announced that it may increase the national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid.

2.19 Given the above and the threat that the loss of New Homes Bonus presents to the Council, the Medium Term Financial Plan has been revised to assume that the baseline will be increased to 0.6% and new bonus payments withdrawn from 2020 (effectively meaning that the council will continue to receive legacy payments based on past bonus awards until 2022/23.

2.20 Other scenarios for New Homes Bonus include the scheme being abolished entirely or the scheme remaining as is. An assessment of the sensitivity to such scenarios can be found in Appendix G

Council Tax

2.21 The Council has frozen its share of council tax in 2018/19 and this is the ninth year of this policy. The cumulative loss of income as a result of this policy from 2010/11 to 2018/19 stands at £6.6m and the cumulative average saving to residents of £231.

2.22 The assumption for 2019/20 is that the Council's precept will not rise, taking the cumulative loss of income as a result of the policy to £8.5m and the cumulative average saving to residents to £286 over the ten years. The net income foregone by not increasing council tax for 2019/20 from its 2018/19 level is £166k.

2.23 In the plan presented to members in July 2018, it was assumed that the council tax freeze policy would remain in place for the foreseeable future. This assumptions has not changed.

2.24 Given the likely significant funding challenges, volatility and uncertainty faced by the Council from 2020, it is the recommendation of the Section 151 Officer that all current assumptions should be reviewed in July 2019 by Cabinet as part of the mid-year review of the Medium Term Financial Strategy, when further clarity will be available surrounding local government funding.

2.25 The impact of assuming a council tax precept freeze to 2024 is £1.7m of foregone council tax income.

2.26 Growth projections in respect of the Council Tax Base remain consistent at 600 homes per annum.

2.27 A scenario to model the impact of deflated growth in the council tax base is included in Appendix G.

Transitionary Measures

2.28 A new assumption in respect of ‘transition’ has been included in the Medium Term Financial Plan as a result of the progress of the Fair Funding Review and Business Rates Retention working group.

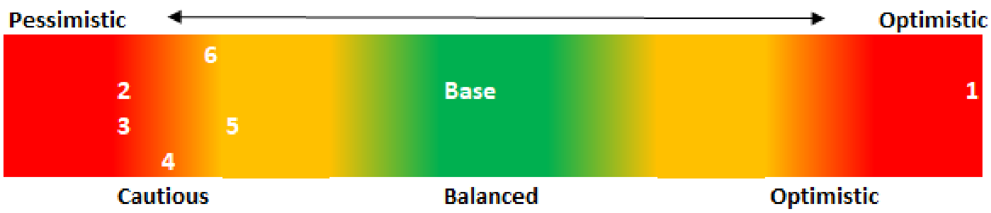
2.29 Transitionary funding (often referred to as ‘damping’) is likely to occur when a council suffers a loss of total resources above a certain level.

2.30 At this moment in time it is unclear on what that level may be. Based on advice received from our funding advisors Pixel, an assumption of -5% has been used in the Medium Term Financial Plan.

2.31 It is unlikely that the council will be compensated for any loss below the -5% that occurs as a result of its policy to freeze council tax. Transition funding has therefore been incorporated into the Medium Term Financial Plan (Appendix C) and the scenario analyses (Appendix G) at the level that could be received if the council’s council tax precept had been increased from 2020 - 2024.

Assessment of Assumptions and Sensitivity Analysis

2.32 The below diagram and table illustrate the assessed reasonableness of assumptions used within the revised Medium Term Financial Plan alongside 6 other potential scenarios.



Ref	NHB	Business Rates	Council Tax	Transition
Base	0.6% Baseline; Legacy payments from 2020	Partial Baseline Reset in 2020 @ 2018/19 rates level	0% precept to 2024, growth 600 homes p.a	Yes, assumed when funding reduces by more than 5%
1	Baseline remains at 0.4% and scheme continues as is	as per Base	as per Base	
2	Baseline increased to 0.6% and abolished from 2020	as per Base	as per Base	
3	as per Base	Full reset in 2020 based on 19/20 rates level	as per Base	
4	as per Base	Full reset in 2020 based on 18/19 rates level	as per Base	
5	as per Base	Full reset in 2020 based on 17/18 rates level	as per Base	
6	as per Base	as per Base	0% precept increase to 2024, growth deflated at 400 homes	

2.33 Contained within Appendix G are some further illustrative charts to show the impact of each of the scenarios listed in the table above and their impact on the specific funding stream.

<u>Medium Term Financial Plan – Revised Projections</u>

2.34 The projected deficit arising between 2019/20 and 2023/24 has now been assessed to be £3.98m over the five year period and can be found in the table below.

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Surplus/(Deficit)	763	200	- 841	- 1,762	- 2,339	**- 3,980***

* Subject to rounding

2.35 Whilst the forecast deficit over the period is £3.98m, the anticipated balance of the Self-Sufficiency reserve as at March 2020 is £4.242m. The intention of this reserve is to cover the investment cost for initiatives that will earn the council a revenue return. However, the reserve can also be utilised to balance deficit years where necessary.

2.36 The revised medium term financial plan can be found in Appendix C.

3.0 REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN

2018/19 Forecast Outturn

3.0 The forecast outturn position for the Housing Revenue Account for 2018/19 is a surplus of £3,217k being £271k higher than the approved budgeted surplus of £2,946k.

3.1 The additional surplus forecast for the year is as a result of a number of favourable and offsetting adverse variances. The most significant variances are savings in energy costs, partly as a result of an over accrual in 2017/18, savings in Council Tax as a result of fewer empty properties, together with additional income from rents, mainly as a result of increased void performance and additional income from interest on balances.

3.2 In line with the decisions made by council at its meeting on 27 February 2018, the surplus achieved for the year will be added to the HRA balance which stood at £9.384m at 31 March 2018. This balance represents £8.384m set aside within a loan redemption reserve for the purposes of repaying two maturity loans totalling £13m which fall due for repayment in March 2022 with the remaining £1m being retained as a minimum working balance for the HRA.

3.3 A copy of the five year extract of the HRA business plan cash flow can be found in Appendix D.

2019/20 Draft Budget

3.4 The draft budget for 2019/20 is estimated to produce an operating surplus / deficit of zero, after making a contribution of £1.4m to the debt repayment reserve and a RCCO contribution to the capital programme of £1.7m, which will take total estimated HRA balances at 31 March 2020 to £14m. The HRA working balance will be £1m and the remaining £13m will be held in the debt repayment reserve to repay the debt that matures in 2021/22.

3.5 See HRA Revenue Budget proposals for further details, which is shown elsewhere on this agenda.

HRA 30 year Business Plan Cash Flow – Previous July MTFS Projections

3.6 The projected financial position contained within the MTFS showed that the HRA was able to fully fund its capital programme and meet loan commitments falling due over the five year period from 2018/19 to 2022/23.

3.7 Over the life of the business plan, a shortfall was shown to arise in 2041/42 of £1.3m followed by a further £32m by the end of the 30 year period in 2047/48. The total of these sums being £33.3m between 2041 and 2048. Given that this projected position is 25 years from being realised, financial forward planning in the intervening years will be required to address the shortfall, including consideration of refinancing at an appropriate time.

Review of Assumptions

3.8 Inflation forecasts have been updated and the projected increase in CPI in line with the government's Spring Statement has led to a significant increase in the income from housing rents. Costs are also projected to increase, although the overall impact on expenditure is less significant, bringing about additional net income from 2020/21.

3.9 The cash flow model updates in respect of right to buy sales and affordable properties brought onto the rent debit in 2018/19 and has resulted in a favourable movement on HRA cash balances due to the compound nature of accruals of additional rental income on these properties.

The 30 year capital programme cost projections for the HRA have been revised from £177m to £186m.

3.10 Appendix E includes a list of assumptions and review details.

HRA 30 Year Business Plan Cash Flow – Revised Projections

3.11 A shortfall first arises in 2041/42, which is £8.4m, followed by a further £40.8m by the end of the 30 year period to 2048/49. The total of these sums being £49.2m between 2041 and 2049.

3.12 After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans that next become become payable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will of course continue to be repaid as originally intended when the council took on the self-financing debt and came out of the former HRA subsidy system. This decision will be presented to members formally as part of the Treasury Management Strategy Statement for 2019/20 at Cabinet and Council in February 2019.

3.13 The five year extract of the revised HRA Business Plan cash flow model can be found in Appendix F.

4.0 JOURNEY TO SELF-SUFFICIENCY PROGRAMME

4.1 As detailed in paragraph 2.35 above, the self-sufficiency reserve now stands at £2.76m and remains in line with the projections of the MTFS. There has been no expenditure against the reserve to date.

4.2 A Journey to Self-Sufficiency Programme Board has been established and 4 key work streams identified.

4.3 The portfolio holder for Finance will act as Cabinet sponsor for the programme and updates will be provided on a monthly basis at the portfolio holder briefing session. Formal updates on the progress of savings will be reported to Cabinet as part of the bi-annual review of the MTFS. As is the normal course of business, any strategies or initiatives will be presented to Policy Development Group prior to Cabinet approval.

4.4 Each of the 4 work streams are detailed below with a summary of progress.

4.4.1 **Commercialism** – A Commercial Strategy for the council was approved by Cabinet on 9 October 2018. The strategy lays out how the council will focus on income generation and developing the culture of the organisation to become more commercial in all areas. The Head of Legal and Commercial Services is now leading the implementation of the strategy. Preliminary work has been undertaken to facilitate an efficient start to the project. This includes a staff survey to benchmark the organisational awareness of commerciality, a data capture exercise with team managers on our current fees and charges to inform the development of a new charging policy, identifying new ideas for revenue generation and beginning work on mapping out an organisational skills and knowledge programme. The first meeting of the project team will be held in December 2018.

4.4.2 **Phase 2 Organisational Restructures** – The phase 2 restructures followed on from the senior management restructure which was implemented in February 2018 and are led by The Chief Executive Head of HR and Organisational Development. Annual revenue savings across the organisation of £68k have been achieved, of which £36k related to General Fund and £32k the Housing Revenue Account (excluding the anticipated one off redundancy costs charged to the General Fund of £25k). Phase 2 restructures in other services, namely Customer Services and Cultural Services are due to be undertaken in the coming months.

4.4.3 **Savings** – All Team Managers of the council's corporate support services have formed a group led by the Head of Finance to review how each service area can flex to deliver savings against the target of £200k reduction in corporate costs that was committed as part of the decision to outsource the councils leisure centres. The have identified circa £100k of savings and have included these amounts in the 2019/20 draft budget. It is anticipated that annual savings of £200k will be achieved from 2020. A vacancy review process has been implemented for all corporate support services to allow for thorough review of vacancies arising with a view to minimise central support costs where possible. The Head of Finance and the Head of HR and Organisational Development and the Chief Executive will now continue to meet on a regular basis to monitor progress of savings achieved and further savings identified.

4.4.4 **Budget process** – the Head of Finance has led the council in preparing the draft 2019/20 budget. The budget process has focussed on the delivery of savings via a Savings Challenge where each budget holder was challenged to deliver 2.5% savings on their net cost of service. The budget process delivered net savings of

£639k across the General Fund which have been offset by cost pressures, service developments and increased staffing costs which have increased the budgeted net cost of service by circa £835k from £13.2m in 2018/19 to £13.4m in 2019/20. Savings achieved across the Housing Revenue Account have maintained the level of expenditure at the 2018/19 level, with the net operating expenditure for the year budgeted at £3.04m compared with £2.9m for 2018/19.

Appendix A

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – JULY 2018

	2018/19	2019/20	2020/21	2021/22	2022/23
	Budget	**Budget**	**Budget**	**Budget**	**Budget**
	£000	£000	£000	£000	£000
Base Budget	13,204				
Indicative Base Budget (based on services assessment)		12,954	13,587	14,327	14,848
Assumed Base Budget (5% increase year on year)					
Total Budget before Savings/Surplus	**13,204**	**12,954**	**13,587**	**14,327**	**14,848**
Transfer to reserves					
(Savings Required)/Surplus to Self-Sufficiency Reserve	298	366	(1,301)	(1,662)	(2,278)
Total Final Expenditure Budget	**13,503**	**13,320**	**12,286**	**12,665**	**12,570**
Funding					
Revenue Support Grant	235	0	0	0	0
Business Rates	4,864	4,970	3,824	3,908	3,983
New Homes Bonus	2,905	2,896	2,987	3,197	2,941
Council Tax	5,210	5,305	5,400	5,497	5,596
Council Tax Surplus	289	150	75	63	50
Other grants					
Total Funding	**13,503**	**13,320**	**12,286**	**12,665**	**12,570**

Appendix B

GENERAL FUND REVENUE PROECTIONS
KEY ASSUMPTIONS

	MTFS 2018 – 2023 Original Assumptions (February 2018)	MTFS 2018 – 2023 Revised Assumptions (June 2018)	MTFS 2019 – 2024 Assumptions (November 2018)
Base Budget 2018/19	1. As per 2018/19 draft budget.	1. No change	1. As per draft budget 2019/20
Indicative Base Budget 2019/20 – 2022/23	2. Stabilisation of planning fees from 2018/19 at £1.2 million per annum 3. Stable car parking charges and income 4. Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25,000 (approximately 25%) each year over four years, and maintain Special Expenses at their current levels 5. Pay award in line with Local Government Pay Offer, with 3% built in for 2019/20 and 2% each year thereafter, pending a detailed redesign of the council's existing pay structure 6. Pensions and national insurance costs inflated at anticipated levels to 2023. 7. Non pay costs inflated from 2018/19 levels at 2.8% (CPI @ Sept 2017) to 2023 8. Return on investments at previously achieved performance level of 0.44%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds 9. Apprenticeship levy of 0.5%	2. No change 3. No change 4. No change 5. No change, pending review of the council's pay grading structure 6. No change 7. Adjustment to align with the governments forecasts for CPI as announced as part of the Spring Statement: 2019/20 – 1.8% 2020/21 – 2022/23 – 2% 8. No change 9. No change at present, ut we are looking at reviewing the Treasury Management Strategy Statement with a view to increase the return we receive on investments. 10. No change 11. No change	2. No change 3. No change 4. No change 5. Pay Award based on 2020/21 2%, 2021/22 – 2022-23 2.1%, 2023/24 2% 6. No change 7. 2020/21 2%, 2021/22 – 2022-23 2.1%, 2023/24 2% 8. No change 9. No change 10. That the council saves £100k in corporate overheads in 2019/20 and saves £25k in year 1 based on the net position of the new leisure outsourcing arrangement. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21 based on the capital funding of the new facility.

	10. That the council saves £200,000 in corporate overheads from 2019/20 and receives £250,000 income each year in a management fee on outsourcing it's leisure centres in March 2019. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21.		
Revenue Support Grant	12. RSG is phased out in 2018/19	12. No change, although it should be noted that until the outcome of the Fair Funding review is known, negative RSG is absorbed into the council's business rate baseline funding level, reducing the council's funding position by: • 2019/20: nil • 2020/21: -£210k • 2021/22: -£270k • 2022/23: -£320k	13.
Business Rates	13. Full business rate baseline reset in 2020/21 at the 2018/19 level of business rates collected, with no transitionary measures upon implementation of the Fair Funding Review 14. 75% Business Rate Retention system implemented in 2020/21 15. Tariff on business rates income in line with Government announcement in respect of 2018/19. 2019/20 and beyond assumed at anticipated level before the announcement in respect of 2018/19. These projections will be updated once firmer detail is understood.	14. No change 15. No change 16. Tariff payable reviewed and error corrected from 2019/20.	13.Partial Business Rates Baseline reset in 2020/21 at the 2018/19 level of business rates collected with transition payments assumed so that the council's net funding doesn't reduce below 5%. 14. No change 15. No change.

New Homes Bonus	14. That our reliance on New Homes Bonus as part of our core budget will be reduced by 25% by 2023 after it has funded regeneration activities and services, phased in incrementally at 6.25% per year over four years from 2019/20.	16. No change	16. That New Homes Bonus funding is removed from 2020/21 but that legacy payments continue and reduce to NIL by 2023/24. Also assumed that baseline for which payments are made above is increased from 0.4% to 0.6%.
Council Tax	17. Council tax assumed at 0% increase to the council tax base per annum 18. Estimates of council tax base increase of 1.8% every year (broadly 600 homes each year) which impacts on council tax base and NHB. Note that the average increase since 2014 has been in the region of 700 new homes per year.	17. No change 18. No change It is anticipated that a review of the discounts and exemptions offered by the council will deliver a future saving and this will be updated as part of the MTFS in December.	17. 0% increase assumed for 2019/20. Default 2.99% increase assumed thereafter. 18. No change NB – A report will be delivered to Cabinet in December with a view to amend the current discounts offered on second homes and empty homes. This will marginally increase the council tax base and therefore the income collected. These assumptions are not yet built into the calculations, pending Cabinet approval of the revised discounts and production and subsequent approval of the Council Tax Base.
Council Tax Surplus	19. Collection fund surplus reduced from £289,000 in 2018/19 with incremental decreases year on year until 2022/23 where a £50,000 surplus is assumed	19.No change	19. £63k surplus for 2019/20, assumed at £32k 2020/21 and to NIL from 2021/22.
Other	20. That we will create a Self Sufficiency Reserve of £2.76 million from £900,000 of existing general fund reserves and the forecast 2017/18 surplus of £1.86 million and that surpluses generated in future years (as	20. No change (except to acknowledge that the self-sufficiency reserve now stands at £2.76m as anticipated in February 2018). 21. No change 22. No change	20.No change 21.No change 22. No change

	projected in section 7) will be paid into this reserve. 21. That we will maintain a minimum General Fund working balance will be maintained at the higher of £1.5 million or 10% of net expenditure to 2023 22. The General Fund Capital Programme is fully funded.		
New			23 – Transitionary measures based on assumption that the council will not suffer a loss of total resources of more than 5% in any one year. 24 – Minimum Revenue Provision policy revised in line with Statutory Guidance – impact to 2019/20 negligible, but increase in MRP for future years. 25 – Assumed NWLDC is not a Business Rate Pilot authority in 2019/20, pending outcome of the Leicestershire-wide bid to become a pilot.

Appendix C

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – REVISED PROJECTIONS

Draft Medium Term Financial Plan 2019 - 2024 (BASE)

		1	2	3	4	5
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	Forecast Outturn @ P7	**Budget**	**Budget**	**Budget**	**Budget**	**Budget**
		£000	£000	£000	£000	£000
Base Budget	13,204					
Indicative Base Budget (based on services assessment)		13,399	13,736	14,427	14,565	14,982
Assumed Base Budget (5% increase year on year)						
Total Budget before Savings/Surplus	**13,204**	**13,399**	**13,736**	**14,427**	**14,565**	**14,982**
Transfer to reserves						
(Savings Required)/Surplus to Self-Sufficiency Reserve	395	763	200	(841)	(1,762)	(2,339)
Total Final Expenditure Budget	**13,599**	**14,162**	**13,935**	**13,586**	**12,803**	**12,643**
Funding						
Revenue Support Grant	235	0	0	0	0	0
Business Rates	4,960	5,807	6,167	6,286	6,396	6,498
New Homes Bonus	2,905	2,996	2,346	1,816	819	0
Council Tax	5,210	5,296	5,391	5,484	5,582	5,681
Council Tax Surplus	289	63	32	0	0	0
Other grants						
Damping			0	0	5	464
Total Funding *	**13,599**	**14,162**	**13,935**	**13,586**	**12,803**	**12,643**

*** Subject to rounding**

Appendix D

HRA BUSINESS PLAN MODEL PROJECTIONS – JULY

Year £ Thousands	2018.19 2	2019.20 3	2020.21 4	2021.22 5	2022.23 6
INCOME:					
Rental income	17,153	16,997	17,174	17,358	17,568
Void losses	(136)	(172)	(173)	(175)	(177)
Service charges	523	536	550	563	577
Non-dwelling income	93	42	21	22	22
Grants and other income	285	301	308	316	324
Total income	**17,918**	**17,704**	**17,879**	**18,084**	**18,314**
EXPENDITURE:					
General management	(2,284)	(2,343)	(2,401)	(2,461)	(2,523)
Special management	(649)	(665)	(682)	(699)	(716)
Other management	0	0	0	0	0
Rent rebates	0	0	0	0	0
Bad debt provision	(98)	(100)	(101)	(102)	(104)
Responsive and cyclical repairs	(5,573)	(5,702)	(5,833)	(5,968)	(6,114)
Total revenue expenditure	**(8,604)**	**(8,810)**	**(9,018)**	**(9,231)**	**(9,457)**
Interest paid	(2,277)	(2,252)	(2,226)	(2,198)	(1,862)
Finance administration	(8)	(9)	(9)	(9)	(9)
Interest received	84	141	252	204	116
Depreciation	(3,103)	(3,146)	(3,116)	(3,088)	(3,065)
Net operating income	**4,009**	**3,628**	**3,762**	**3,763**	**4,039**
APPROPRIATIONS:					
FRS 17 / other HRA reserve adjustments	(2,906)	(2,500)	(2,608)	16,266	0
Revenue provision (HRACFR)	(1,103)	(1,128)	(1,154)	(14,180)	(1,206)
Revenue contribution to capital	0	0	0	0	(2,557)
Total appropriations	**(4,009)**	**(3,628)**	**(3,762)**	**2,086**	**(3,763)**
ANNUAL CASHFLOW	**0**	**(0)**	**0**	**5,849**	**275**
Opening balance	1,000	1,000	1,000	1,000	6,849
Closing balance	**1,000**	**1,000**	**1,000**	**6,849**	**7,125**
Other HRA reserve balance	0	0	0	0	0
HRA debt repayment reserve	11,158	13,658	16,266	0	0
HRA new build reserve	0	0	0	0	0

Appendix E

HOUSING REVENUE ACCOUNT PROJECTIONS
KEY ASSUMPTIONS

	MTFS 2018 – 2023 Original Assumptions (February 2018)	MTFS 2018 – 2023 Revised Assumptions (June 2018)	MTFS 2019 – 2024 Assumptions (November 2018)
Income (Rents)	1. As per Government rent policy of 1% reduction to 2019/20 then CPI + 1%. CPI assumed at 1% 2. Rent loss performance on empty homes sustained at 1% for the life of the plan 3. Right to Buy sales projected to be between 43 and 30 every year. 4. 68 new homes added to the housing stock during 2018/19 at affordable rent levels	1. No change 2. No change 3. Forward projections reflect economic forecast of CPI at 2% from 2020/21 onwards. 2017/18 outturn updated in respect of lower level of sales than anticipated. Additional 26 affordable homes added to stock list in 2017/18. 4. Assumed development of a further 2 new homes in 2019/20	1. No change 2. Rent loss performance on empty homes reduced to 0.8% for the life of the plan 3. Right to Buy sales projected to be 36 in 2019/20, 34 in 2020/21 and falling to 30 per annum thereafter 4. 39 new homes added to the housing stock during 2018/19 with an assumed development of a further 37 new homes in 2019/20 and 20 in 2020/21 at affordable rent levels
Base budget	5. RPI increase on all costs (inclusive of staffing, supplies and services) at 2.5% per annum.	5. Increase assumed to rise to 3.5% from 2021/22 onwards	5. No change

Other	6. Surplus balances on the HRA to be transferred to the loan redemption reserve to repay maturity loans 7. HRA Capital Programme is fully funded	6. £13m requirement for repayment of loans in 2022 reached 7. No change	6. To be applied up until 2022, and then no policy requirement to automatically build up a reserve to repay maturity loans after this date. 7. Whilst there is no requirement for an RCCO to balance the funding of the capital programme in 2019/20 a provision of £1.7m has been provided to fund the acquisition of affordable homes. This has been met from a surplus on the HRA revenue budget 8. The 30 year capital programme cost projections for the HRA have been revised from £177m to £186m.

Appendix F

HRA BUSINESS PLAN MODEL PROJECTIONS – REVISED

Year £'000	2019.20 2	2020.21 3	2021.22 4	2022.23 5	2023.24 6
INCOME:					
Rental Income	17,008	17,607	18,058	18,463	18,881
Void Losses	1	-144	-147	-151	-154
Service Charges	553	567	587	607	629
Non-Dwelling Income	86	82	79	75	73
Grants & Other Income	276	274	272	271	269
Total Income	**17,925**	**18,386**	**18,848**	**19,266**	**19,697**
EXPENDITURE:					
General Management	-2,267	-2,325	-2,407	-2,491	-2,578
Special Management	-710	-727	-753	-779	-806
Other Management	0	0	0	0	0
Rent Rebates	0	0	0	0	0
Bad Debt Provision	-100	-107	-110	-113	-115
Responsive & Cyclical Repairs	-5,337	-5,446	-5,627	-5,814	-6,030
Total Revenue Expenditure	**-8,413**	**-8,604**	**-8,896**	**-9,197**	**-9,529**
Interest Paid	-2,252	-2,227	-2,198	-1,862	-1,835
Finance Administration	-10	-8	-9	-9	-9
Interest Received	107	186	228	193	253
Depreciation	-3,139	-3,173	-3,179	-3,185	-3,195
Net Operating Income	**4,217**	**4,559**	**4,795**	**5,207**	**5,383**
APPROPRIATIONS:					
FRS 17 /Other HRA Reserve Adj	-1,389	0	12,990	0	0
Revenue Provision (HRACFR)	-1,128	-1,154	-14,180	-1,206	-1,234
Revenue Contribution to Capital	-1,700	0	-100	-616	0
Total Appropriations	**-4,217**	**-1,154**	**-1,290**	**-1,823**	**-1,234**
ANNUAL CASHFLOW	**0**	**3,406**	**3,505**	**3,384**	**4,149**
Opening Balance	1,000	1,000	4,406	7,911	11,295
Closing Balance	**1,000**	**4,406**	**7,911**	**11,295**	**15,445**
Other HRA Reserve Balance	0	0	0	0	0
HRA Debt Repayment Reserve	12,990	12,990	0	0	0
HRA New Build Reserve	0	0	0	0	0

Appendix G

GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2019 – 2024
FUNDING SCENARIO ANALYSIS

The charts below are intended to illustrate the isolated change in an assumption. The table below explains each scenario and the change in funding.

Table 1 – Scenarios

Ref	NHB	Business Rates	Council Tax	Transition
Base	0.6% Baseline; Legacy payments from 2020	Partial Baseline Reset in 2020 @ 2018/19 rates level	0% precept to 2024, growth 600 homes p.a	Yes, assumed when funding reduces by more than 5%
1	Baseline remains at 0.4% and scheme continues as is	as per Base	as per Base	
2	Baseline increased to 0.6% and abolished from 2020	as per Base	as per Base	
3	as per Base	Full reset in 2020 based on 19/20 rates level	as per Base	
4	as per Base	Full reset in 2020 based on 18/19 rates level	as per Base	
5	as per Base	Full reset in 2020 based on 17/18 rates level	as per Base	
6	as per Base	as per Base	0% precept increase to 2024, growth deflated at 400 homes p.a.	


Council Tax
Base Council Tax
Scenario 1 Council Tax
Scenario 2 Council Tax
Scenario 3 Council Tax
Scenario 4 Council Tax
Scenario 5 Council Tax
Scenario 6 Council Tax
Scenario 6 Council Tax
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
4,200
4,000
2019/20
2020/21
2021/22
2022/23
2023/24


New Homes Bonus
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base New Homes Bonus
Scenario 1 New Homes Bonus
Scenario 2 New Homes Bonus
Scenario 3 New Homes Bonus
Scenario 4 New Homes Bonus
Scenario 5 New Homes Bonus
Scenario 6 New Homes Bonus


Business Rates
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Business Rates
Scenario 1 Business Rates
Scenario 2 Business Rates
Scenario 3 Business Rates
Scenario 4 Business Rates
Scenario 5 Business Rates
Scenario 6 Business Rates

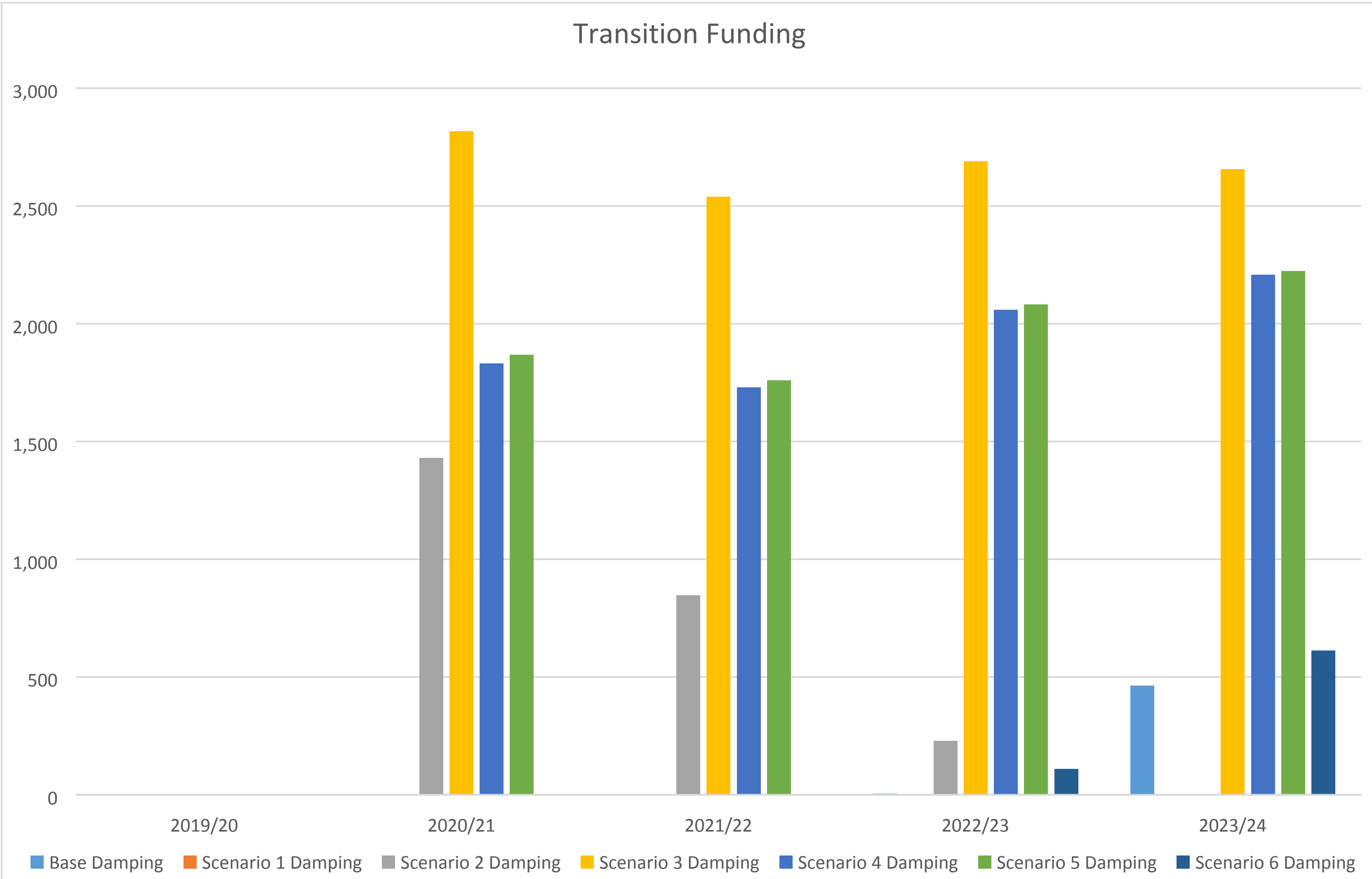
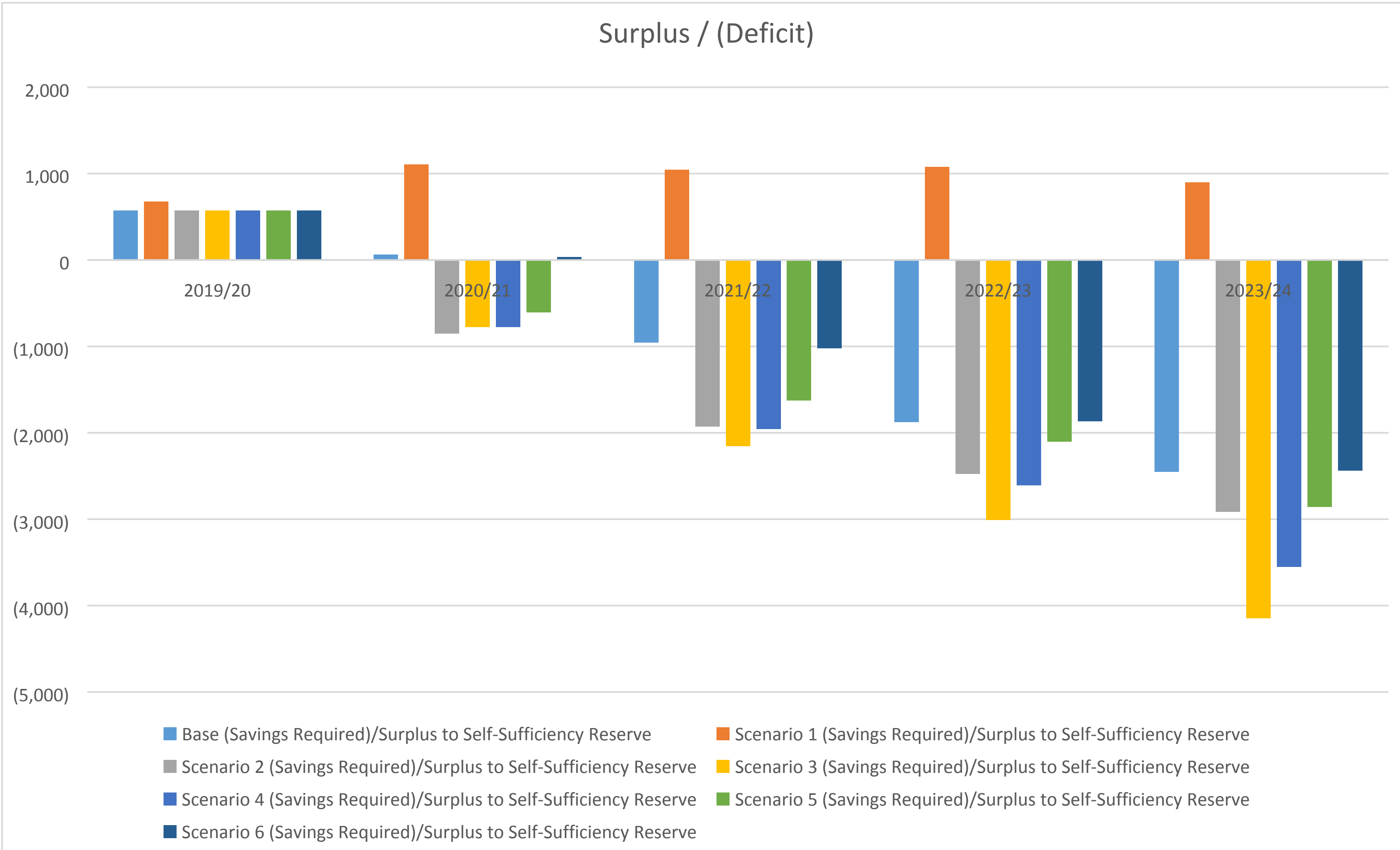

Transition Funding
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Damping
Scenario 1 Damping
Scenario 2 Damping
Scenario 3 Damping
Scenario 4 Damping
Scenario 5 Damping
Scenario 6 Damping

Table 2 - In Year Surplus/(Deficit) *

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Surplus/(Deficit)	763	200	- 841	- 1,762	- 2,339	**- 3,980**
Scenario 1	866	1,243	1,160	1,193	1,013	**5,474**
Scenario 2	763	- 716	- 1,810	- 2,359	- 2,803	**- 6,925**
Scenario 3	763	- 644	- 2,040	- 2,892	- 4,034	**- 8,846**
Scenario 4	763	- 642	- 1,840	- 2,495	- 3,439	**- 7,654**
Scenario 5	763	- 634	- 1,840	- 2,503	- 3,454	**- 7,669**
Scenario 6	763	168	- 903	- 1,753	- 2,322	**- 4,048**

* Subject to Rounding


Surplus / (Deficit)
2,000
1,000
0
(1,000)
(2,000)
(3,000)
(4,000)
(5,000)
2019/20
2020/21
2021/22
2022/23
2023/24
Base (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 1 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 2 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 3 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 4 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 5 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 6 (Savings Required)/Surplus to Self-Sufficiency Reserve

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP – WEDNESDAY 9 JANUARY 2019

Title of report	**MARLBOROUGH SQUARE REFURBISHMENT**
Contacts	Councillor Richard Blunt 01530 454510 richard.blunt@nwleicestershire.gov.uk Strategic Director of Place 01530 454555 james.arnold@nwleicestershire.gov.uk Head of Economic Regeneration 01530 454752 mark.fiander@nwleicestershire.gov.uk
Purpose of report	The report seeks to advise and update Policy Development Group of the background and project work carried out to progress the refurbishment of Marlborough Square.
Council priorities	Homes and Communities Building Confidence in Coalville Business and Jobs
Implications:	
Financial/Staff	There are no financial implications resulting from this report
Link to relevant CAT	Coalville Project Board is being kept up to date with this project.
Risk Management	There are no risks associated with this report.
Equalities Impact Screening	There are no equalities impacts.
Human Rights	No human rights impacts.
Transformational Government	No direct implications.
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory

Comments of Monitoring Officer	Report is satisfactory
Consultees	Marlborough Square working group. Ward Members. Leicestershire County Council.
Background papers	The Prince's Foundation's Regeneration Strategy for Coalville (2009). Four Squares and Streets Investment Plan (2010). Report to Cabinet (26 July 2016) Extending the Coalville shop front improvement grant scheme and update on the Coalville Project. http://prodmodgov:9070/ieListDocuments.aspx?CId=126&MId=1543&Ver=4 Report to Cabinet (13 June 2017) Building Confidence in Coalville – Proposals and Funding. http://prodmodgov:9070/ieListDocuments.aspx?CId=126&MId=1551&Ver=4 Report to Cabinet (16 January 2018) Marlborough Square Refurbishment http://prodmodgov:9070/ieListDocuments.aspx?CId=126&MId=1557&Ver=4 Report to Cabinet (24 July 2018) Marlborough Square Redevelopment.
Recommendations	**IT IS RECOMMENDED THAT THE POLICY DEVELOPMENT GROUP NOTES THE PROGRESS MADE TOWARDS THE REDEVELOPMENT OF MARLBOROUGH SQUARE.**

1.0 BACKGROUND

1.1 The Marlborough Square project forms part of a wider scheme of public realm works proposed across Coalville to improve the appearance of the town and encourage regeneration. It is part of a programme to realise the recommendations set out by the Prince's Foundation Regeneration Strategy for Coalville (2009) which highlighted the need for improvements to Marlborough Square.

1.2 The proposal seeks to create a quality new square for Coalville, turning roads back to public realm and forming an attractive space that can be used for a variety of events including markets and fairs. The proposals will include:

- Outdoor seating areas
- New tree planting
- A more pedestrian-friendly environment, with vehicles encouraged to drive through the square at lower speeds through changes in carriageway width and surfacing
- Improved bus passenger waiting areas
- New taxi rank
- New Christmas tree pit
- New short stay parking spaces

- Space for events that can take place without closing the square to vehicles
- New public art

1.3 In December 2016, Leicestershire County Council (LCC) were informally consulted on the plans for the Marlborough Square Project including developing cost estimates. After this collaborative approach LCC Highways were engaged in December 2017 by NWLDC to design and deliver the project offering the opportunity to ensure alignment between highway and public realm design consideration. This approach also provided the opportunity to align delivery with the Snibston Project located in close proximity.

1.4 In June 2017 and January 2018 NWLDC Cabinet noted that the project was at an initial feasibility stage and that the detailed design, costing and work programme were still to be developed.

1.5 In January 2018 Cabinet gave approval for the Marlborough Square scheme to proceed to detailed design. Following this, officers from both LCC and NWLDC undertook work to develop and agree a scheme for delivery.

2.0 PROJECT PROGRESS AND UPDATE

2.1 **Key dates**

The key dates of progress on the project overall are:

Progress	Date
Cabinet approval for the allocation of £1.1 million from the 2016/17 and projected 2017/18 budget surpluses towards the cost of potential improvements to Marlborough Square.	13 June 2017
Cabinet approval for the commissioning of detailed design and feasibility work (by LCC) to refurbish Marlborough Square to determine the actual costs associated with project implementation be approved.	16 January 2018
Cabinet approval to delegate authority to make changes to the design and for funding of £1,586,500 based on LCC estimate.	24 July 2018
Design freeze	17 August 2018
Tender returned to LCC	1 October 2018
Fencing, site cabin and trial hole – Morgan Sindall on site	1 October 2018
Contract between NWLDC and LCC agreed (but not signed)	10 October 2018
NWLDC verbally notified of tender price by LCC taking the total project cost to £2.28 million	10 October 2018
Meeting with LCC to consider cost reductions	16 October 2018
Informal briefing to NWLDC members	16 October 2018
Letter to members with decision to put the project on hold	17 October 2018
Majority of fencing removed from site and parking made available	19 October 2018
Letter and report from LCC Chief Executive agreeing that working arrangements between the two Councils on the Marlborough Square project should be ended.	22 November 2018

2.2 A design option that satisfies the requirements of the project brief and the day-to-day operational needs of Marlborough Square was presented to Cabinet in July 2018. Authority was delegated to contract with LCC (including traffic regulation order costs and LCC design and contract supervision costs and NWLDC project management and urban design costs) for up to £1,586,500. The estimated tender price included all the elements dated on or before 13 June 2018 in the column labelled "Client agreement received" in Appendix 1 (provided by LCC). The risks identified at that time included the possibility that once the detailed design had been completed then the cost could exceed the allocated funds and it was identified that if the cost of the works exceed the allocated funds that officers would work with LCC to bring the project within the budget allocation.

2.3 Officers and the external project manager appointed by NWLDC have worked closely with Leicestershire County Council, local businesses and other stakeholders to further develop the plans approved at Cabinet into detailed proposals and tender documentation. Changes to the specification from May 2018 are shown in Appendix 1 and the total cost of agreed changes from Cabinet approval on 24 July 2018 up to the design freeze in August 2018 was £30,430.

2.4 Following the Cabinet approval in July 2018, the following key stages have been completed:

- Technical and design detailed work to refine design proposals including specification of materials and preparation of project programme.

- Officers have worked with LCC to resolve practical details including various event scenarios to ensure that all over surface items are carefully located so as not to unreasonably preclude certain events taking place.

- LCC identified Morgan Sindall as the preferred contractor through a new framework agreement and prepared tender documents and obtained tender price.

- Detailed ground investigations were undertaken and initial site set up by Morgan Sindall (as appointed by LCC to carry out early contractor involvement) including setting up temporary fencing/site cabin and trial hole.

2.5 The tender price obtained by LCC was substantially more than expected and hence it is proposed that it is not accepted and to further refine the design. In view of the price it was also necessary for fencing and a site cabin which had been installed on the day that the tender price was received, to be removed and a repair made to the tarmac resulting from the trial hole.

2.6 Further details of the development of the project will be provided in a presentation to accompany this report. The presentation outlines that, despite risk mitigation being in place the total cost including the tender price was approximately 50% more than the estimated cost which meant that the project could not be afforded within existing approvals. The risk mitigation included:

- £124,000 included in the costs which acted as a contingency,
- £340,000 included to cover potential risks such as contaminated ground,
- Delegated approval in place to make changes to the project in place.

2.7 LCC have agreed that it would be mutually advantageous for NWLDC to seek an alternative delivery method and this will enable the Council to seek greater value for money. Cabinet approval will therefore be sought to pay LCC for their work and for the work carried out by their contractor, Morgan Sindall. This will enable the current phase of work to be concluded and used as a basis for further progress.

2.8 All parties involved in the project have sought to implement the proposals for Marlborough Square quickly in order to benefit Coalville as soon as possible and to be able to carry out tree planting at the appropriate time of year. This included seeking approval by Cabinet to proceed with the project up to a maximum cost. The unexpectedly high tender price has meant, however, that these arrangements have not resulted in the desired result. The key lesson learnt, therefore, is to seek Cabinet approval for the actual tender price rather than for an estimated cost so that the works can go ahead once the tender price and total budget has been approved rather than starting work on site without the actual tender price.

2.9 It is proposed that a further report will be brought to Cabinet to seek approval to pay LCC costs and, subsequently, for processes to take the project forward. These proposals will be based on the work carried out to date.

2.10 Project Management

Clear roles and responsibilities are crucial for any project. In the case of Marlborough Square the client role was fulfilled by a NWLDC Project Board which agreed any requests for changes to the design. LCC acted as designer and quantity surveyor as well as procuring the contractor for the on-site works.

2.11 Requests made by the NWLDC Project Board were passed to the LCC Project Board by the Project Manager and NWLDC representative on the LCC Project Board and meetings minuted.

2.12 The project management arrangements reflected normal process with the exception that each Council had a project board. This was to enable client requirements to be discussed and coordinated by NWLDC and then logged formally to LCC.

2.13 Design Process and quality control

The scope of the project has been managed by the NWLDC Project Board within the parameters agreed by Cabinet. Work focussed on achieving the maximum quality, functionality and value for money and for this reason LCC were sometimes asked to explore options and provide advice which is the normal design process and enables the client to determine priorities for the resources available.

2.14 NWLDC sought to ensure aesthetic quality as this is a key component of the project aims and, following discussion with LCC, arrangements were agreed in the proposed contract to enable the council to input into any changes during the implementation in order to prevent any dilution of the design quality.

2.15 Following receipt of the target cost from Morgan Sindall, the two Councils considered layout changes to get the cost within the parameters agreed by NWLDC Cabinet whilst delivering the ambitions and vision of the original scheme. However, despite constructive discussion this proved to be not possible within the existing arrangements with LCC/Morgan Sindall.

2.16 Costs and Programming

NWLDC relied on LCC for cost information and for programming to deliver the scheme as soon as possible in order to deliver the benefits for residents and to meet the constraints of the tree planting season. As outlined above, this included exploring, and then prioritising options with LCC. Appendix 1 provides a list of changes from May 2018 to September 2018 and it can be seen in the column labelled “Client Agreement received” that the changes (ref .no’s 4 and 5) between the estimate reported to Cabinet on 24 July 2018 and the design freeze on 17 August 2018 totals £8,250. If the changes made on 21 August 2018 are included then this totals £30,430.

2.17 Issues raised by Marlborough Square project

The key issue in the project has been that the total cost of the works including the tender from the contractor, Morgan Sindall, has been approximately 50% more than the cost estimate provided by LCC and approved by Cabinet in July 2018. Although there were mitigation measures in place, as outlined in paragraph 2.6, it transpired that these were not adequate. It should be noted that such a large discrepancy is rare and the mitigation measures in place would normally have been adequate. In order to prevent a reoccurrence of this issue all future contract approvals considered by Cabinet will be on the basis of tendered costs rather than estimates and no pre-commencement works started until costings are finalised.

2.18 Next Steps

The indicative new timeline is set out below:

- January 2019: Report to Cabinet to seek authority to pay LCC’s costs (including those incurred by Morgan Sindall)
- February/March 2019: Report to Cabinet to seek approval for procurement arrangements going forward including new timeline:
  - finalising design/tender documentation
  - tender
  - site mobilisation

3.0 CONCLUSION

3.1 NWLDC Officers have worked closely LCC with the aim of delivering the concept proposals. The detailed design work completed by LCC will provide the basis for finalizing design and tender documentation and procuring the work to deliver Marlborough Square in 2019.

3.2 Officers consider that the scope of the original design concept prepared by the Council has largely remained the same and that appropriate project management was put in place by the District as has been set out in this report.

3.3 Due to the unexpected high tender price, and following the consideration of reductions to the scheme it is considered that the method of delivering the project needs to be reconsidered to ensure the original vision and ambitions for the project can be realised. On this basis, it is considered that it is in the interests of both NWLDC and LCC to cease the current joint arrangements. The District will continue to work in partnership with the County Council to deliver the project through the S278 agreement, whilst design and procurement is now delegated to NWLDC.

3.4 Subject to Cabinet approval, it is intended that that project will be progressed and the key elements of the scheme, as described in paragraph 1.2 above, achieved.

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Appendix 1: Marlborough Square Change Log, May – September 2018

This appendix provides an example of the project management documentation used, in this case produced by LCC. It facilitated monitoring changes as requested by NWLDC to improve the quality and functionality of the proposals for Marlborough Square.

Project Delivery

Change Register v1 24.9.18

Approved
Cancelled
Pending
Awaiting Costing

Total Works Cost	£140,900.00
Total Fees	£50,030.00
Total	£190,930.00

Project Name: Marlborough Square Coalville

Change Ref No	CE No	Date Identified	Requested By	Owner	Brief Description of Change/Variation	Client Agreement Received (Date)	Works Cost	Fees	Completed	Comment
	1	May-18	NWLDC		Dentist Access - private slope to shop entrance to be incorporated into paving design. No design yet - CE later	21.8.18	£10,000	£3,000		
	2	May-18	NWLDC		Market Layout Studs - Delination of seating and stalls	21.8.18	£1,000	£400		
	3	May-18	NWLDC		Guard Rail. Outside The Emporium Entrance 10m Visirail. NWLDC request stainless steel 'Costa' version, see Barricade Ltd website.	13.6.18	£2,500	£500		
	4	May-18	NWLDC		Real Time Bus Info in shelters as opposed to on posts	3.7.18	£3,000	£750		
	5	May-18	NWLDC		New Block size 300-600-300	Aug-18	£0	£4,500		No works cost
	6	May-18	NWLDC		Tactile Studs stainless option not concrete paving slabs	13.6.18	£10,000	£2,000		
	7	May-18	NWLDC		Channel Blocks not allowed for	13.6.18	£10,000	£2,000		
	8	May-18	NWLDC		Power Supply Units 3 units each containing 6 plug sockets. New location TBC by Wayne on GA drawing fro NWLDC.	13.6.18	£5,000	£1,000		
	9	May-18	NWLDC		CCTV - Movement of cameras and allowance for a corded duct and resinstalling cameras on new poles	13.6.18	£17,000	£5,100		NWLDC to confirm whether request in email dated 28.8.18 is required in addition or instead of this proposal. Cost relates to original design.
	10	May-18	NWLDC		Planter Design as part of Contractor ECI.	13.6.18	£40,000	£8,000		
	11	May-18	NWLDC		Signing - Posts in square to be oak.	13.6.18	£14,000	£2,800		Number of posts TBC by WR
	12	May-18	NWLDC		Direction Signing. LCC to review local signing to check it still makes sense when Marlborough Sq. is one way.		£5,000	£1,500		Wayne to investigate and instruct works to a contractor.

13	May-18	NWLDC	Stainless Steel Finger Post Sign - 6 Arms (New)	13.6.18	£5,000	£500	Destinations to TBC by NWLDC.
14	May-18	NWLDC	Public Art Granite (plinth) Contractor has been asked to source this as part of ECI. Plinth will have a foundation & blocks will go up to plinth.	21.8.18	£3,000	£600	
15	May-18	NWLDC	Public Art Movement. LCC legal fees to investigate movement of lady and child figure from library grounds to public highway. Licence possibly needed.	13.6.18	£0	£5,000	Laura Grandidge investigating. LCC/ NWLDC to confirm if statue is to be moved or cleaned.
16	May-18	NWLDC	Wooden Bollards x4 for turn left signs and daytime taxi rank signs.	21.8.18	£1,400	£280	
17	May-18	NWLDC	TRO Changes to provide extra taxi ranks at Jackson Street. NWLDC to confirm if needed.			£5,000	NWLDC to confirm if needed.
18	13.6.18	NWLDC	Tree grilles now required. Wayne has included a product.	18.6.18	£7,000	£1,400	
19	06.09.18	NWLDC	Realignment of taxi rank, changing of the kerb height from 40mm to 25mm where the upstand joins the Marlborough Square carriagway	21.8.18	£0	£1,000	
20	06.09.18	NWLDC	Change of surface material colour or laying pattern to emphasises pedestrian desire line in front of taxi rank parking.	21.8.18	£0	£1,000	
21	06.09.18	NWLDC	Kerblines moving to accommodate outdoor seating at the Litten Tree		£5,000	£1,500	Wayne to investigate and cost. Check with LCC licensing before design. NWLDC to confirm if needed.
22	06.09.18	NWLDC	Bus Shelter to be moved to clear 2m safety zone	21.8.18	£0	£500	
23	06.09.18	NWLDC	Change location of cycle stands if Change No. 21 approved.		£0	£500	Wayne to suggest location. NWLDC to confirm location.
24	06.09.18	NWLDC	Tree no.8 added. New tree. Tree nos 7&8 need exact locations. Deeper planter pits for 4 trees.		£2,000	£1,200	NWLDC to confirm location. NWLDC to confirm tree species.

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POLICY DEVELOPMENT GROUP – WORK PROGRAMME (as at 20/12/18)

Date of Meeting	Item	Lead Officer	Witnesses	Agenda Item Duration
6 February 2019				
6 February 2019	Use of Bailiffs Review	Tom Shardlow, Head of Customer Services		20 minutes
6 February 2019	Equality and Diversity Policy	Mike Murphy, Head of Human Resources and Organisational Development		20 minutes
6 February 2019	Proposals for Cropston Drive	Glyn Jones, Strategic Director of Housing and Customer Services		20 Minutes
6 February 2019	Asset Disposal Policy	Chris Lambert, Head of Housing and Asset Management		20 minutes
6 February 2019	Tenant Scrutiny Report - Estate Management Services	Chris Lambert, Head of Housing and Asset Management		15/20 minutes
6 February 2019	Homelessness Strategy To consider the draft Homelessness Strategy	Chris Lambert, Head of Housing and Asset Management		20 mins
6 March 2019				
6 March 2019	Tenancy Agreement Changes To review, amend and agree the revised Tenancy Agreement for all Housing tenants, effective February 2019	Chris Lambert, Head of Housing and Asset Management		15 minutes
6 March 2019	Council Delivery Plan 2019/20	Mike Murphy, Head of Human Resources and Organisational Development		25 Minutes

Date of Meeting	Item	Lead Officer	Witnesses	Agenda Item Duration
6 March 2019	Review of the Council's Constitution	Elizabeth Warhurst, Head of Legal and Commercial Services		15 minutes
6 March 2019	2018/19 Quarter 3 Performance Report	Mike Murphy, Head of Human Resources and Organisational Development		35 minutes
6 March 2019	S106 Agreement Contributions to Health - Annual Update	James Arnold, Strategic Director of Place		15 minutes
12 June 2019				
12 June 2019	Community Focus Grants - Annual Report	Paul Sanders, Head of Community Services		15 minutes
12 June 2019	Workforce and Agency Costs - Annual Update	Mike Murphy, Head of Human Resources and Organisational Development		20 minutes
12 June 2019	2018/19 Quarter 4 Performance Report	Mike Murphy, Head of Human Resources and Organisational Development		35 minutes

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