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Meeting	CABINET
Time/Day/Date	5.00 pm on Tuesday, 4 February 2020
Location	Board Room, 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	
4. MINUTES	
Minutes of the meeting held on 14 January 2020	5 - 8
5. MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY	
Report of the Strategic Director of Place Presented by the Community Services Portfolio Holder	9 - 14
6. GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2020/21	
Report of the Strategic Director of Housing and Customer Services Presented by the Corporate Portfolio Holder	15 - 46
7. HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2020/21	
Report of the Strategic Director of Housing and Customer Services Presented by the Corporate Portfolio Holder and Housing and Customer Services Portfolio Holder	47 - 68

8.	2020/21- 2024/25 CAPITAL PROGRAMMES AND 2020/21 CAPITAL STRATEGY	69 - 96
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9.	2020-2025 MEDIUM TERM FINANCIAL PLAN	97 - 126
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10.	INVESTMENT STRATEGY - SERVICE AND COMMERCIAL 2020/21	127 - 136
	Report of the Strategic Director of Housing and Customer Services Presented by the Corporate Portfolio Holder	
11.	TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 AND PRUDENTIAL INDICATORS 2020/21-2022/23	137 - 164
	Report of the Strategic Director of Housing and Customer Services Presented by the Corporate Portfolio Holder	
12.	PROPOSED ARTICLE 4 DIRECTION - KEGWORTH HOUSES IN MULTIPLE OCCUPATION	165 - 180
	Report of the Strategic Director of Place Presented by the Planning and Infrastructure Portfolio Holder	
13.	CORPORATE PEER REVIEW	181 - 206
	Report of the Chief Executive Presented by the Deputy Leader	
14.	CORPORATE ACCOMMODATION UPDATE	207 - 214
	Report of the Strategic Director of Housing and Customer Services Presented by the Housing and Customer Services Portfolio Holder	
15.	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.	
16.	AUTHORITY TO AWARD HOUSING CONTRACTS	215 - 226
	Report of the Strategic Director of Housing and Customer Services Presented by the Housing and Customer Services Portfolio Holder	

Circulation:

Councillor R Blunt (Chairman)
Councillor R Ashman (Deputy Chairman)
Councillor R D Bayliss
Councillor T Gillard
Councillor N J Rushton
Councillor A C Woodman

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MINUTES of a meeting of the CABINET held in the Board Room, Council Offices, Coalville on TUESDAY, 14 JANUARY 2020

Present: Councillor R Blunt (Chairman)

Councillors R Ashman, T Gillard, N J Rushton and A C Woodman

In Attendance: Councillors J Clarke, D Everitt, J Legrys, V Richichi and S Sheahan

Officers: Mr J Arnold, Miss E Warhurst, Miss A Wright, Mr A Barton and Mrs C Hammond

69. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R D Bayliss.

70. DECLARATION OF INTERESTS

There were no interests declared.

71. PUBLIC QUESTION AND ANSWER SESSION

There were no questions received.

72. MINUTES

Consideration was given to the minutes of the meeting held on 10 December 2019.

It was moved by Councillor R Blunt, seconded by Councillor N J Rushton and

RESOLVED THAT:

The minutes of the meeting held on 10 December 2019 be confirmed as a correct record and signed by the Chairman.

Reason for decision: To comply with the Constitution.

73. COUNCIL TAX BASE 2020/21

The Corporate Portfolio Holder presented the report to Members.

He advised that the report sought approval of the Council Tax Base for 2020/21, which, under the Local Government Finance Act 1992 required that the calculation of the Council Tax Base for the financial year 2020/21 be determined by no later than 31 January 2020. He drew Members' attention to appendices 1 and 2 which showed the council tax base for the next year after applying a 2% non-collection rate and advised that for the third year, growth estimates in respect of the anticipated number of new homes for 2020/21 had been included in the council tax base at parish level.

He reminded Members that in January 2017 Cabinet agreed that Town and Parish councils would receive a 25% reduction in the Council Tax Support Grant and that this would be the final year that the grant would be payable.

He stated that following the Cabinet meeting in December there was a consultation in progress on reducing the Council Tax Support Grant to Special Expense areas over a four year period, which would commence in 2021/22; and that it would be considered again by Cabinet in February as part of the final budget.

Finally he advised Members that, in respect of Business Rates, the authority was required to provide details of estimated income for the following year to the Government by 31 January 2020 on a form called NNDR1. This required formal approval. He noted that the form was completed by the Revenues and Benefits Partnership shortly before the 31 January deadline to ensure that the estimates were as up to date as possible and that the Section 151 Officer had delegated authority to approve and submit the form for 2020/21.

It was moved by Councillor N J Rushton, seconded by Councillor R Blunt and

RESOLVED THAT:

1. The calculation of the Council Tax Base for each Parish and Special Expense area for the financial year 2020/21, as shown in appendix 2 to the report, be approved and recommended to Council for adoption.
2. In accordance with the Local Authorities (calculation of council tax base) (England) regulations 2012 si 2012/2914, the amount calculated by North West Leicestershire District Council as its council tax base for the financial year 2020/21 shall be 34,585 be noted.
3. The amounts of Council Tax Support Grant for each Town and Parish Council detailed in appendix 3 be noted.
4. The Section 151 Officer has delegated authority to submit the calculations of Non Domestic rating income and other amounts required by the Government by 31 January each year be noted.

Reason for decision: Statutory requirement to facilitate the setting of Council Tax for the forthcoming Financial Year.

74. TENANT SCRUTINY REPORT - RIGHT FIRST TIME - HOUSING REPAIRS

The Strategic Director presented the report to Members.

He reminded Members that the Tenant Scrutiny Panel was formed in 2011 as a requirement of the Localism Act, and consisted of a group of volunteer tenants, to carry out reviews of the areas of the housing service they identify. This was their 8th Report.

He advised Members that the inspections in relation to Right First Time had taken longer than some previous ones due a turnover in the membership of the Panel.

It was noted that the Panel had produced 7 recommendations, as detailed in the report, all of which have been accepted by the Housing Service and the action plan at Appendix B provided the framework through which implementation would be monitored and progress fed back to the Panel.

Councillor R Blunt stated that he was happy to support the recommendations. He advised that he had seen figures in relation to the state of the authority's empty properties, which was 7%, and that the Council always strived to improve its performance.

It was moved by Councillor R Blunt, seconded by Councillor N J Rushton and

RESOLVED THAT:

The action plan prepared in response to the recommendations from the Tenant Scrutiny Panel Inspection of right first time housing repairs be approved.

Reason for decision: To allow the implementation of the of the Housing Services action plan in respect of Right First Time Housing Repairs.

75. AWARDING OF MHCLG RAPID REHOUSING GRANT

The Strategic Director presented the report to Members.

He advised that back in March/May 2019 the authority was part of a successful cross County bid for grant funding from the rapid rehousing pathway programme to support rough sleepers and that the report was required to approve the payment of part of the grant received to Charnwood Borough Council, who delivered the service.

He informed Members that it had been intended to make two staged payments to Charnwood Borough Council, which would have been permissible under the scheme of delegation. However, during discussions with them over the detail of the agreement, they expressed a preference for one payment, as the value of the grant exceeded the level permitted by the scheme of delegation.

It was moved by Councillor R Blunt, seconded by Councillor T Gillard and

RESOLVED THAT:

1. The payment of up to £177,600 to Charnwood Borough Council for the provision of a social lettings service be agreed.
2. Authority be delegated to the Head of Housing and Property in consultation with the Portfolio Holder for Housing and Customer Services to award any additional funding received under the Rough Sleepers Initiative (RSI) to appropriate delivery partners within the limitations agreed with MHCLG.

Reason for decision: The grant payment requires expenditure in excess of officer delegated limits.

76. 2019/20 QUARTER 2 PERFORMANCE REPORT

The Leader invited the Members of the Cabinet to comment on their portfolio areas.

Councillor T Gillard was pleased to advise that the outline bid for the second round of the Future High Street Fund would be submitted the following day and if successful would help with grant support towards a number of proposals in the town centre including a cinema. The full bid would be submitted by the end of April. He commented on the success of the Palitoy celebration event that had received extensive media coverage and the high turnout of visitors. He noted that the business Focus Team continued to support the local businesses particularly the market traders, both those moving and not moving to the new market.

Councillor A Woodman advised that both the new indoor market and the new leisure centre had received approval at Planning Committee, and that the issues over the A511 access to the leisure centre needed addressing with LCC. He highlighted the continued improvements to Hood Park, with the new gym suite opened and work nearing completion on the spin room down stairs. He informed the Members that in relation to the Recycle More campaign, 250 new recycling trollies were out on trial across the District and that the trial of new food waste bins had seen 17 tonnes diverted from landfill. He noted the work of the Health and Wellbeing team that was ongoing and that the absence figures for the Waste Service was being managed.

Councillor N J Rushton noted that there was nothing further to update on.

Councillor R Ashman highlighted the ongoing work of the Planning department in relation to issues over HMOs, especially in Kegworth. He advised that work led by the Chief Executive continued on preparing the district for the impact of both Brexit & HS2 and noted that it had been proposed to continue with the Cross Party Planning Working Group to ensure that the Local Plan continued to be in date.

Councillor R Blunt was pleased to note that the average call wait time in relation to Customer Services had reduced again during the quarter to 44 seconds and that the number of customers hanging up before receiving an answer had also reduced.

It was moved by Councillor R Blunt, seconded by Councillor R Ashman

RESOLVED THAT:

The progress against the Corporate objectives and performance indicators be noted and commented on.

Reason for decision: The report be provided for members to effectively monitor the performance of the organisation.

The meeting commenced at 5.00 pm

The Chairman closed the meeting at 5.14 pm

Title of Report	MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY	
Presented by	Councillor Andrew Woodman Community Services Portfolio Holder	
Background Papers	Agenda and minutes of the meeting held 17 December 2019	Public Report: Yes
		Key Decision: Yes
Financial Implications	As set out within the budget reports presented to the Coalville Special Expenses Working Party on the 17 December 2019 and the final budget presented to Cabinet on 4 February 2020.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no legal implications	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To consider the recommendations made by the Coalville Special Expenses Working Party.	
Reason for Decision	To consider the recommendations made by the Coalville Special Expenses Working Party.	
Recommendations	TO NOTE THE RECOMMENDATIONS MADE BY THE COALVILLE SPECIAL EXPENSES WORKING PARTY AS DETAILED WITHIN THE MINUTES AND APPROVE THE RECOMMENDATIONS AS SUMMARISED AT 3.0	

1.0 BACKGROUND

1.1 The Coalville Special Expenses Working Party meets as often as is required to meet business demands – usually quarterly. As the working party reports directly to Cabinet, all recommendations made are to be sent to the first available Cabinet meeting after the group have met for final approval.

2.0 TERMS OF REFERENCE

- 2.1 To consider budget and financial issues which either solely or predominantly affect the Coalville special expenses area and to make recommendations to Cabinet.
- 2.2 To receive reports and examine possible project options on which recommendations will be made to Cabinet.

3.0 RECOMMENDATIONS FROM MEETING ON 17 DECEMBER 2020

3.1 Events Update

3.1.1 There are no recommendations.

3.2 Capital Projects Update

3.2.1 That Cabinet allocate £5,000 as a budget proposal for 2020/21 towards Coalville in Bloom 2020.

3.2.2 Coalville Special Expenses Finance Update

3.3.1 There are no recommendations.

Policies and other considerations, as appropriate	
Council Priorities:	Supporting Coalville to be a more vibrant, family-friendly Town
Policy Considerations:	N/A
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	Ensuring the correct spending of the special expense budget.
Economic and Social Impact:	Progression of events and projects cannot be taken forward if not agreed.
Environment and Climate Change:	N/A
Consultation/Community Engagement:	N/A
Risks:	Progression of events and projects cannot be taken forward if not agreed.
Officer Contact	Mark Fiander 01530 454752 mark.fiander@nwleicestershire.gov.uk

MINUTES of a meeting of the COALVILLE SPECIAL EXPENSES WORKING PARTY held in the Council Chamber, Council Offices, Coalville on TUESDAY, 17 DECEMBER 2019

Present: Councillor M B Wyatt (Chairman)

Councillor E G C Allman, A J Bridgen, D Everitt, M French, J Geary, J Legrys and J Windram.

In Attendance: Councillor R Johnson

Officers: Mr M Fiander, Mrs W May, Mrs R Wallace and Mr P Simpson

15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor A Black.

16. DECLARATIONS OF INTEREST

Councillor J Geary declared a non-pecuniary interest in item 6 – Capital Projects Update as a regular supporter of Coalville Town Football Club, a founder member of Mantle Lane Art and a Director for the Springboard Centre.

Councillor J Legrys declared a non-pecuniary interest in item 4 – Presentation from the Friends of Coalville Park, as he attends meetings of the group; however, he was not a voting member. He also declared a non-pecuniary interest in any reference to Hermitage FM due to his voluntary involvement with the organisation.

Councillor M B Wyatt declared a non-pecuniary interest in any reference to Coalville Town Centre as a business owner.

17. MINUTES OF THE PREVIOUS MEETING

Consideration was given to the minutes of the meeting held on 22 October 2019.

Councillor J Geary requested that Coalville in Bloom be placed on the next agenda as an item rather than be included in the update report.

It was moved by Councillor R Johnson, seconded by Councillor M B Wyatt and

RESOLVED THAT:

The minutes of the meeting held on 22 October 2019 be approved and signed by the Chairman as a correct record.

18. PRESENTATION FROM THE FRIENDS OF COALVILLE PARK

A presentation regarding recent activities and future plans for Coalville Park was given by Mr A Sipika, Ms S Ramp and Ms A Shepherd, members of the Friends of Coalville Park community group.

Members congratulated the group on what had been achieved to date and the amount of enthusiasm shown for the park. They were also pleased with the sensory garden and the vision for a new play area, which linked to the heritage of the area. The Cultural Services Team Manager reported that recent discussions with the Royal British Legion had led to high interest in the sensory garden proposals and they would like to assist in moving it forward.

Members did not speak in favour of the proposals to develop the field off Victoria Road due to its current use for parking during the picnic in the park event. There was also the possibility that other large events could be programmed in the future and therefore it was important that the space be available. The Cultural Services Team Manager agreed that it was important to keep open space available for events but appreciated that this was only a small number of days each year. Therefore, she would speak to the Parks and Open Space Team Manager to understand the needs of the park so that perhaps a balance could be agreed for the use of the field.

In response to a question regarding the children's safety on the proposed larger play equipment, Ms S Ramp explained that appropriate safety flooring would be installed and the Grounds Maintenance Team were on site with trained first aiders. She added that the park would continue to be locked up at night and CCTV would be installed.

Councillor J Legrys asked that the results of the recent survey undertaken at Picnic in the Park be circulated to Members.

The Chairman was reluctant to promise funds for the annual maintenance of the new play equipment as budgets were limited and there were many more projects to be supported throughout the year. The Cultural Services Team Manager was aware that there was an annual figure for maintenance of the park and she would look into what could be done going forward to support it.

The Chairman thanked the Friends of Coalville Park for their attendance and presentation.

19. EVENTS UPDATE

The Cultural Services Team Manager presented the report to Members.

The Chairman passed on complaints from businesses in Coalville in relation to the footfall being drawn to only one part of the town during the Christmas event. He stressed the importance of engaging local businesses in future years and incorporating the event into other areas of the town.

The majority of Members gave positive feedback on the Christmas event but there were some complaints regarding the fireworks. The overall feeling was that the fireworks were too loud for such a residential area and it was disturbing for children and animals. There was a suggestion put forward for a laser light show rather than fireworks and Members were informed that this option was already being investigated by officers.

Members noted that the condition of some of the Christmas lights were poor and there was also some issues with vandalism, the Chairman reported that he had started the ball rolling with gaining funding for some replacements. Councillor J Geary commented on the artificial tree structure made out of lights in Hugglecote as it was very nice. He suggested that this kind of alternative be looked into for Marlborough Square in future, as the tree was disappointing this year.

Councillor E Allman enjoyed the event and received good feedback, however, he was disappointed that businesses were not open. He stressed the importance of engaging local businesses in the future.

The Cultural Services Team Manager reported that the window dressing and reindeer trail around Coalville shops was very successful this year with approximately 50 businesses taking part. Regarding the use of other areas, it was made clear that public safety was paramount and with such a large pedestrianised area available, it was preferable than using streets adjoining highways. The Chairman commented that other areas in the

district closed roads during Christmas events to make the use of highways safe for the public, he asked for costings for the this option to be made available.

Councillor A Bridgen suggested a parade led by a band for future Christmas events as in his experience, this type of activity attracted crowds.

Regarding the future events programme, Councillor J Geary suggested a Halloween event as he had seen a great community celebration on a recent holiday. He believed this would take young people away from knocking on doors and celebrating all together as a community. A number of Members supported this suggestion and put forward Coalville Park as a suitable venue. The Cultural Services Team Manager explained that there was limited resources to run the events programme, but would look into the option.

It was moved by Councillor J Geary, seconded by J Legrys and

RESOLVED THAT:

- a) The progress update on the 2019/20 events be noted.
- b) The 2020/21 proposed event programme be noted.
- c) The progress update on Christmas lights be noted.
- d) The progress update on 2019/20 grant scheme be noted.

At the conclusion of the item, at 7.45pm, Councillor J Geary left the meeting.

20. CAPITAL PROJECTS UPDATE

The Head of Economic Regeneration updated Members on the progress of the 2019/20 Capital Projects as detailed in the report.

Coalville in Bloom

The Chairman provided an update further to the report. The areas being considered for hanging baskets were High street and Hotel Street, and the cost to businesses would be £30. Members supported the recommendation to cabinet for the £5,000 budget allocation required for the project.

Scotlands Bowls Pavilion

Following a question from Councillor E Allman, it was reported that a younger group was now interested in regenerating the sport in the area, as well as interest from other sporting groups to share the changing facilities.

Trees in Coalville

The Chairman asked Members to put forward any suggested areas for tree planting. It was agreed that the contact details for the relevant officer working on the project be circulated to Members.

Wildflower planting on Grass Verges

Councillor J Legrys suggested the creation of a community group to maintain the wildflowers, as he was aware that there would be a cost involved for officers.

Lillehammer Drive

Councillor J Legrys wanted to see progress before spring because once bird-nesting season began work would be halted.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The progress update on the 2019/20 Capital Projects be noted.
- b) The delivery of the five-year asset management schedule at appendix A be supported.

RECOMMENDED THAT:

Cabinet allocate £5,000 as a budget proposal for 2020/21 towards Coalville in Bloom 2020.

21. COALVILLE SPECIAL EXPENSES FINANCE UPDATE

The Head of Economic Regeneration presented the report to Members.

Following a lengthy discussion regarding the recommendation to cabinet to increase the special expenses council tax precept, Members expressed concerns and were not prepared to support it. They felt strongly that an increase should not be made to fill a gap in funding and other options to increase income streams should be investigated first.

In response to a question from Councillor E Allman in relation to projections in council tax due to new builds, the Head of Economic Regeneration agreed to provide a breakdown of figures outside of the meeting.

It was moved by Councillor M B Wyatt, seconded by Councillor J Legrys and

RESOLVED THAT:

The report be noted and the comments from the working party be presented to cabinet when considering the budget proposals for 2020/21.

Councillor J Geary left the meeting at 7.45pm

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.26 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2020/21	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	General Fund and Special Expenses Revenue Budget Proposals for 2020/21 – Cabinet 10 December 2019 Coalville Special Expenses Finance Update – Coalville Special Expenses Working Party 17 December 2019 Corporate Scrutiny Committee Draft Minutes – 8 January 2020	Public Report: Yes
		Key Decision: Yes
Financial Implications	The Net Revenue Expenditure for 2020/21 is estimated at £15.2m and the Total Funding available is £15.8m. The predicted surplus of £664k is assumed will be added to the Self-Sufficiency Reserve. The reserve would increase from an estimated £4.53m at 31/03/20 to £5.19m at 31/03/21.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	For Cabinet to agree the 2020/21 General Fund and Special Expenses revenue budget proposals for recommendation to Council on 25 February 2020.	
Reason for Decision	To enable the Council to set a balanced budget for 2020/21 as required by statute.	

<p>Recommendations</p>	<p>1. THAT CABINET NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER;</p> <p>THAT CABINET RECOMMENDS TO FULL COUNCIL THAT IT:</p> <p>2. APPROVES THE AMENDMENTS TO THE GENERAL FUND FEES AND CHARGES AS DETAILED IN APPENDIX B;</p> <p>3. APPROVES THE GENERAL FUND REVENUE BUDGET FOR 2020/21 AS SUMMARISED IN APPENDIX C;</p> <p>4. APPROVES THE SPECIAL EXPENSES REVENUE BUDGET FOR 2019/20 AS SUMMARISED IN APPENDIX D;</p> <p>5. FREEZES THE DISTRICT'S COUNCIL TAX IN 2020/21; AND</p> <p>6. REQUIRES BUDGETED SURPLUS INCOME OVER EXPENDITURE IN 2020/21 TO BE TRANSFERRED TO THE SELF SUFFICIENCY RESERVE.</p>
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1.0 INTRODUCTION

- 1.1 The draft General Fund budget proposals for 2020/21 were considered and approved for consultation by Cabinet on 10 December 2019. The report was subsequently shared with a number of groups, including the Corporate Scrutiny Committee on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report.
- 1.2 This report summarises any changes made since the last Cabinet report and presents the responses to the budget consultation so that any final recommendations can be made to Council on 25 February 2020.
- 1.3 There was a new step in the annual budget setting process for 2020/21, with a report taken to the Corporate Scrutiny Committee on 7 November to seek feedback on the early budget proposals. The new step enabled enhanced member scrutiny of the proposed budget changes for the forthcoming year, and also provided members with an opportunity to feed suggestions into the process. A number of changes were made to the draft budget as a result of this earlier consultation and there are no changes to these proposals presented as part of the final budget.
- 1.4 The government published its Provisional Local Government Finance Settlement on 20 December 2019 and confirmed the level of New Homes Bonus, and tariff and charges against retained Business Rates, which is in line with expectations and announcements previously made in the Spending Review and local government finance settlement technical consultation.
- 1.5 Members will be aware that in 2019, Council requested that officers develop an environment strategy necessary to achieve carbon neutrality from its own operations by 2030, together with an assessment of the cost and technology implications of doing so. Work continues to progress in this area, with the development of a Zero Carbon Roadmap with Etude (an environmental consultant). The Carbon Roadmap was shared with members informally at a briefing on 20 January 2020 and is due to be presented to Cabinet in March for adoption. A £1₆m climate change reserve was included in the draft

budget presented to Cabinet in December 2019. Some of this reserve is now proposed to be utilised in the final budget and details can be found in this report.

1.6 There are three key additional proposals detailed within the report which contribute to moving the balance on the General Fund for 2020/21 to a £664k surplus position (compared to the forecast surplus of £847k as presented as part of the draft budget):

- Development Corporation Investigation Contribution, £100k - Funds are identified to support work currently underway through Midlands Engine to develop the business case for a Development Corporation linked to East Midlands Airport, Toton and Radcliffe Power station. The fund is a contingency only at this stage and will ensure North West Leicestershire is able to contribute fully to the work to identify the added value of any future economic structure approved by government.
- Additional One-Off Lump Sum Pension Contribution, (voluntary), £153k – this budget proposal will be used to make an additional pension contribution in 2020/21 only with a view to actively working to counteract the future pension liability (which stands at £56.3m as at 31 March 2019). There is a related additional proposal for the HRA to cover staff working within the Housing Service. More details can be found in 3.7 below.

1.7 The final budget re-presents savings targets set under the Journey to Self Sufficiency Programme. Full details of the programme can be found in the Medium Term Financial Plan report on the same agenda as this report.

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

- a) 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
- b) 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 approved 2020/21 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 2019/20 – PROJECTED OUTTURN

2.1 The third quarter Performance Report is due to be considered by Cabinet at its meeting in April and presents outturn projections for the current year. The forecast position on the General Fund for 2019/20 is a surplus for the year of £353k, compared to a budgeted surplus of £161k. There has been adverse variances of £1.29m, of which £363k relates to a reduction in income, £910k in additional costs compared to the budget and a number of de minimis variances of £15k. This is offset against favourable variances of £1.12m, of which additional income of £215k and reduction in costs of £903k.

2.2 Explanations of the significant variances (over £50k) are detailed below:

- a) Across the general fund there is forecast salary savings of £499k compared to budget, which is an increase of £128k compared to quarter 2. The savings are due to a number of vacant posts across the organisation;
- b) Refuse and Recycling agency costs are forecast to be overspent by £64k (net of

salary savings). This is due to additional temporary workers required than originally budgeted mainly as a result of levels of sickness absences. This has reduced from quarter 2 by £40k due to additional salary savings being identified;

- c) As reported at quarter 2, there is additional early retirement capital costs of £50k due to ill-health retirement of an employee and a reduction in rent allowances of £59k.

2.3 The net variances of £170k have been financed by £362k of additional business rates. £156k of the additional business rates relate to additional Section 31 grants received and £206k as a result of accounting differences, compared to the budgeted level stated in the council's NNDR1 return.

2.4 In line with the decisions made by Council at its meeting on 26 February 2019, the budgeted surplus of £353k and any additional surpluses achieved will be transferred to the self-sufficiency reserve.

2.5 The forecast outturn position presented as part of Appendix C is based on the forecast outturn at period 9.

3.0 2020/21 NET REVENUE EXPENDITURE PROPOSALS

3.1 For 2020/21, there is an increase in net revenue expenditure of £454k. The main reasons for this increase are a combination of factors made up of a number of service developments, budgetary cost 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:

- a) Savings – Savings put forward include the reduced leisure centre management fee payable in 2020/21, compared to 2019/20, the removal of the remaining budget provision for the running of the leisure centres and the reduction in corporate support costs, again associated with the outsourcing of leisure. One year budget provision in relation to LLEP match funding and the expenditure of the associated monies received as a result of the one year business rates pilot have also been recorded as savings. In total, the budget holders put forward proposals with a combined value of £1.98m saving.
- b) De-minimums budget movements across the General Fund which totalled additional costs of £59k.
- c) Staffing increases - which include the cost of the pay award, pension increases and incremental salary progression for 2020/21. The additional cost in 2020/21 of staffing is £663k. This amount excludes the additional voluntary, one-off lump sum that the council plans to pay in 2020/21 which is covered as a "service development proposal". A breakdown of the staffing increases is included within Appendix A.
- d) Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures. The total of these is £831k, further details are covered in section 3.5 below and a breakdown is included within Appendix A.
- e) Service Development - Proposed additional budget provision to cover enhancement of the service. The total value of service development proposals is £1.45m. Details of the new proposals are covered in section 3.7 below and a full breakdown is included within Appendix A.
- f) Journey to Self-Sufficiency Programme– The anticipated reduction in net revenue expenditure for 2020/21 as a result of the Journey to Self Sufficiency

programme. The target for 2020/21 is £570k. Further work is being undertaken to achieve the full target.

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

3.4 The following paragraphs detail the changes that have been made to the budget since presentation of the draft budget to Cabinet in December.

Savings

3.5 For information, the following paragraphs explain the additional savings that have been identified and built into the 2020/21 budget:

- a) As part of the draft budget, £124k of savings were identified for the Planning service, a further £8k of additional funding has been identified from an existing Ear Marked Reserve to part fund the Systems Support Officer, bringing the total savings to £132k.
- b) The draft budget reported an increase in recharges from the General Fund to the Housing Revenue Account and Special Expenses of £104k to cover the associated cost of services provided by the Council to these separately funded service areas. This has now increased by £38k to £142k as a result of the additional voluntary pension contributions and increases in the running costs of the council offices.

Cost Pressures

3.6 For information, the following paragraph explains the changes to the cost pressures that have been identified and built into the 2020/21 budget:

- a) The Minimum Revenue Provision has reduced by £57k to £117k as a result of changes to the capital programme.

Service Developments

3.7 Below are the additional service developments identified and built into the 2020/21 budget:

- a) **We propose to create a budget of £100k for investigative works for the Development Corporation.** As outlined earlier in this report, funds are identified to support work currently underway through Midlands Engine. This work will produce the business case for a Development Corporation linked to East Midlands Airport, Toton and Radcliffe Power station. The fund represents a contingency at this stage and will ensure that North West Leicestershire is able to contribute fully to the work to identify the added value of any future economic structure approved by government.
- b) **We plan to contribute an additional one-off lump sum voluntary pension contribution.**

The Council is what is referred to as a 'stabilised employer' in the Local Government Pension Fund, meaning we pay into the fund based on a stabilised contribution rate. This stabilised contribution rate is determined by the actuaries on a triennial (3 yearly) basis by looking at the required rates needed over the forthcoming 17 years and smoothing them over that period to reduce volatility in the rates paid. The effect for the Council for 2020/21 is that we are due to pay 26% rather than a rate of 29.5% that we would pay on an 'un-stabilised' approach.

Due to the forecast surpluses on both the General Fund and Housing Revenue Account at draft budget stage, we are planning to make an additional lump sum contribution to our pension fund of £197k. This amount will be added to £71k HRA contribution (that covers an equivalent contribution in respect of staff working within the Housing Service) to make a full contribution of £268k. Some of this was already budgeted for, so the increase in costs in the final general fund budget is £153k.

This budget proposal will be one-off in 2020/21 only, with a view to actively working to counteract the future pension liability (which stands at £56.3m as at 31 March 2019). The additional pension contribution will be invested by the Pension Fund to earn returns and reduce this liability. Assuming all other things remain equal, the Council should see a financial benefit from 2023 through broadly a 0.1% a reduction in contributions for future years.

- c) **We plan to reduce the Climate Change Reserve by £115k and use this to fund the installation of off street electric charging points.** The draft budget created a Climate Change reserve of £1m. It is proposed to use £115k of this reserve to fund a capital project to provide 24 off street electric charging points and infrastructure across the district. A feasibility study will be undertaken to assess the best places for these to be situated. The scheme will be funded via a Revenue Contribution to Capital and as a result has reduced the Climate Change reserve to £885k.

- d) **We propose to create a budget of £71k to support the implementation of the Economic Growth Plan.** The Economic Growth Plan was approved by Cabinet in September 2019 and efforts to date have focussed on mobilising the associated action plan. This additional budget provision will cover the associated costs of the plan including consultancy for specific elements and costs associated with publicising and hosting events and workshops.

4.0 FEES AND CHARGES

- 4.1 The council provides a wide range of services to local residents, businesses and visitors and generates local income as a result. Local income generation, when done in the right way, presents the council with an opportunity to maximise its financial position and an opportunity to reduce its reliance on government grant. In addition, charging for services can also present opportunities to achieve the council's corporate priorities. In September 2019, Cabinet approved a revised Corporate Charging policy, which will maximise the opportunities detailed above.

- 4.2 Appendix B provides a comparison of 2019/20 and 2020/21 Fees and Charges for those fees that have changed, which has been updated since draft budget to include building control. There are currently ongoing reviews in relation to Car Parking and Public Conveniences. The fees will be reviewed as part of the services reviews and reported to Cabinet if there are any changes.

5.0 2020/21 FUNDING

- 5.1 It is important to note that the draft budgeted position for 2020/21 and assumptions around funding for this and future years is currently based on the content of the Provisional Local Government Finance Settlement (LGFS) which was issued on 20 December 2019.

We expect to receive nil Revenue Support Grant in 2020/21 as per the above settlement.

- 5.2 For 2020/21 there is an estimated increase in total funding of £957k, subject to the Final Local Government Finance Settlement which is due around mid-February.

- 5.3 Forecast Business Rates income for 2020/21 has been calculated based on the period 7

performance of Business Rates plus assumptions around the anticipated level of growth in the district in 2020/21 based on an assessment of commercial developments underway.. The increase in retained Business Rates for next year is an increase of £495k compared to the 2019/20 budget. The 2019/20 budget however did include additional rates arising from participating in the business rates pilot and so the increase in 2020/21 represents a significant amount of growth following the loss of these pilot monies in Leicestershire next year. This significant growth in business rates due to be collected in 2020/21 is largely as a result of the significant developments in and around the North of the District and in particular Kegworth.

- 5.4 The Council is not planning to increase the District's share of the Council Tax in 2020/21. This will be the eleventh year without an increase. The net income foregone by not increasing council tax for 2020/21 from its 2019/21 level is £110k. The cumulative loss of income as a result of this policy from 2010/11 to 2020/21 will be £10.5 million and the cumulative average saving to residents of £344 over the eleven years. The draft budgeted level of Council tax income has been assessed on the likely level of council tax base, level of further anticipated housing growth in 2020/21 and a non-collection rate of 2%. This has resulted in an increase of £143k, from £5.3m for the 2019/20 year to £5.5m for the 2020/21 year. The Council Tax Base for 2020/21 was approved by members at its Cabinet meeting in January.
- 5.5 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 2020/21 has reduced by £24k from £90k to £66k. 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.
- 5.6 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 stated that they would explore how to incentivise housing growth most effectively going forward and would consult on any proposed changes.
- 5.7 Given the announcements made as part of the Provisional Finance Settlement, the budget has been updated to take into account that the Council will receive a new round of allocations for growth achieved to October 2019 as well as continued legacy payment for historic growth. Based on this and the increase in the council's council tax base between October 2018 and October 2019 it is anticipated that the council will receive an additional £343k in New Homes Bonus funding in 2020/21 compared to 2019/20.

6.0 2020/21 BUDGET POSITION

- 6.1 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 2020/21 is £664k. Assuming the forecast surplus is added to the Self-Sufficiency Reserve, the reserve would increase from an estimated £4.53 million at 31 March 2020 to £5.19m at 31 March 2021.
- 6.2 The Budget Summary for 2020/21 can be found in Appendix C.

7.0 SPECIAL EXPENSES

- 7.1 The forecast outturn for 2019/20 Special Expenses forecast outturn remains at £545k net expenditure, compared to the budget of £536k. The net cost of Special Expenses are funded through Council Tax and Localisation of Council Tax Support Grant. Any overspend is funded from Special Expenses reserves. The forecast position is a deficit of £5k that will be funded through reserves, compared to the budgeted surplus of £4k (that was

planned to be contributed to reserves).

- 7.2 In line with the precept freeze for the Council's share of Council Tax, the precepts for special expenses have been frozen since 2010.
- 7.3 The impact of this freeze has resulted in a number of the Special Expense accounts now being in a small deficit position at the end of the 2019/20 year. Further deficits would arise for 2020/21 if the precepts were not raised as a result of plans to maintain and improve assets managed by the Special Expense accounts.
- 7.4 In addition, the general fund currently provides a grant to the parishes and special expenses areas in relation to the localisation of council tax support. For 2020/21 this equates to £88,696. The grant to parishes has been phased out over a four year period and the last payments will be in 2020/21.
- 7.5 The council tax in relation to Special Expenses have been recalculated to phase out the Localisation of Council Tax Support Grant over 4 years commencing in 2021/22 and to provide sufficient funding to cover current deficits and future planned maintenance. Following the Cabinet meeting in December, the Council Tax Base has now been set and the planned maintenance programme has been finalised. The Band D rates have now been recalculated and the increases in the council tax for Special Expense areas are detailed below:

Table 1: Band D Special Expenses Council Tax

	19/20	Increase	20/21
Coalville	£63.53	£4.19	£67.72
Whitwick	£7.50	£0.53	£8.03
Hugglescote	£18.00	£0.45	£18.45
Coleorton	£5.31	£1.90	£7.21
Lockington & Hemington	£7.10	£2.32	£9.42
Measham	£1.08	£0.32	£1.40
Oakthorpe & Donisthorpe	£4.22	£0.16	£4.38
Osgathorpe	£1.78	£0.00	£1.78
Ravenstone with Snibston	£0.41	£0.25	£0.66
Stretton en le Field	£57.05	£4.71	£61.76
Appleby Magna	£3.50	£1.24	£4.74

- 7.6 The Special Expenses Budget Summary for 2020/21-2024/25 can be found in Appendix D.

8.0 MEDIUM TERM FINANCIAL PLAN

- 8.1 The Council's Medium Term Financial Plan 2019/20 – 2023/24 was approved by Cabinet in February 2019. At that time, the projected deficit on the General Fund arising over the 5 year period was £5.2m. Following the review in July 2019, this deficit increased to £5.7m.
- 8.2 Given the expenditure proposals and assumptions around funding presented as part of this report and the inclusion of £5.1m journey to self-sufficiency savings over the period, the forecast deficit between 2020/21- 2024/25 is now £968k. As detailed in paragraph 6.1 above, the Self-Sufficiency reserve is forecast to stand at £5.19 million as at March 2021.
- 8.3 Full details of the full assumptions used to determine this forecast can be found in the Medium Term Financial Plan report on the same agenda as this report.

9.0 CONSULTATION

- 9.1 The consultation on the annual budget setting for 2020/21 consisted of scrutiny by members of the Corporate Scrutiny Committee, statutory consultation and public consultation.

- 9.2 There was a new step in the process in the annual budget setting process for 2020/21, with a report taken to Corporate Scrutiny Committee on 7 November 2019 to seek feedback on the early budget proposals. Suggestions from members of the committee were built into the draft budget proposals presented to Cabinet on 10 December 2019.
- 9.3 The Corporate Scrutiny Committee met on 8 January 2020 to review all the proposed budgets for 2020/21. A link to the draft minutes have been included as a background paper on page one of this report. There was no comments resulting in budget changes from the committee in this budget report.

Statutory Consultation

- 9.4 The statutory consultation on the 2020/21 budget proposals commenced on the 18 December and closed on 4 February. The statutory consultation included the Parish Council's within North West Leicestershire, Trade Unions and the Federation of Small Businesses. They were all provided with a copy of the budget reports and given the opportunity to provide feedback. At the time of writing the report, one response has been received and is included in Appendix E. Any additional responses received will be provided to Cabinet in a supplementary paper or a verbal update at the meeting.

Coalville Special Expenses Working Party

- 9.5 The Coalville Special Expenses Working Party met on 17 December 2019 to review the council tax increase for Coalville Special Expenses. A link to the draft minutes have been included as a background papers on page one of this report and an extract from the minutes in relation to the increase in council tax is detailed below:

"Following a lengthy discussion regarding the recommendation to Cabinet to increase the special expenses council tax precept, members expressed concerns and were not prepared to support it. They felt strongly that an increase should not be made to fill a gap in funding and other options to increase income streams should be investigated first."

Enhanced Public Consultation

- 9.6 An online consultation commenced on 13 January and closed on 3 February. The surveys asks respondents to rate how supportive they are to budget proposals from "very supportive" to "very unsupportive", and provides an opportunity to add comments. We are also running a large scale social media campaign to publicise the consultation. At the time of writing this report, we have received 112 responses.
- 9.7 A full summary of responses to the consultation received by 22 January is attached at Appendix F. A summary of the responses is provided in the table below and updated information will be provided as supplementary paper at the meeting.

Table 2: Consultation responses so far relating to the General Fund budget

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
On the NWLDC Council Tax Freeze	63 (56%)	15 (13%)	34 (30%)	<ul style="list-style-type: none"> • 44 residents left detailed comments on the council tax freeze. • Nine suggested they would be happy with an increase in council tax. One thought it should be reduced.
On increasing the Special Expenses	26 (35%)	15 (20%)	33 (45%)	<ul style="list-style-type: none"> • This question only applied to the 74 respondents that live in a special expenses area, 34 left comments. • Those that were supportive were

Council Tax				<p>happy for the increase, with some mentioning that it should lead to better service, with suggestions of more dog waste bins and efforts to reduce vandalism.</p> <ul style="list-style-type: none"> • Those that were unsupportive commented on the fairness of different council taxes in different areas and suggested that these areas were not being maintained.
Changes to Fees and Charges	38 (34%)	57 (51%)	17 (15%)	<ul style="list-style-type: none"> • 27 respondents left comments. • 4 commented that fees for removing waste encourages fly tipping. 1 was supportive of this fee if it was invested in recycling facilities. • 3 commented that the fees for Newmarket were too high. • 2 felt a 5% increase in burial fees was too much. • 3 respondents agreed with our charging policy – to recover costs and generate a profit where possible – whilst another 3 disagreed with this approach.
Changes to day to day services	49 (44%)	40 (36%)	23 (21%)	<ul style="list-style-type: none"> • 45 Residents provided comments. • The most common comment related to development within the district, with 11 residents raising concern about the level of development and how that was compatible with our plans to reduce our carbon footprint and plant trees. • 9 residents commented on our plans to reduce our carbon footprint. 4 were negative about the idea, suggesting it was too much and we should be looking at improving local transportation instead. 4 were positive, with suggestions that we should start with solar panels on the council building. • 8 commented on our plans to provide free trees and increase funding for maintaining trees. 5 were negative, citing the high cost whilst 4 were positive.

10.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

10.1 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.

10.2 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 2020/21.

10.3 The Section 151 Officer also considers that the overall level of General Fund reserves is

adequate for 2020/21.

- 10.4 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. By 2021, 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 forthcoming Spending Review and the reform of the national Business Rate Retention System.
- 10.5 The council's current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of future funding in light of these government-led reviews. The plan now also includes £5.1m of targeted Journey to Self-Sufficiency savings, demonstrating how the council is seeking to manage a stable ongoing financial position.
- 10.6 The updated MTFP presents a total deficit between 2020/21 and 2024/25 of £968k, largely as a result of £5.1m targets set in relation to the Journey to Self-Sufficiency Programme being absorbed into plans. There therefore remains a risk that these savings are not delivered and the deficit increases.
- 10.7 By March 2021, the council's Self-Sufficiency reserve is forecast to stand at £5.19m, subject to funding future commercial initiatives presented to Cabinet for approval.
- 10.8 The MTFP will be reviewed in July 2020 and reported to Cabinet, by which time we will have further clarity surrounding the likely funding position from 2021 and will be able to present further recommendations to safeguard the council's future financial position on an ongoing basis.

Policies and other considerations, as appropriate	
Council Priorities:	The budget assists the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	We have considered the impact of budget proposals to the General Fund on the protected characteristics defined within the Equalities Act. No material impacts have been identified.
Customer Impact:	Fees and charges outlined in Appendix C.
Economic and Social Impact:	None
Environment and Climate Change:	None at this time. At the time of writing this report, officers continue to consider the cost and resource implications of how the Council can achieve carbon neutrality by 2030. Any additional costs of incorporating lower carbon measures on the General Fund will be funded via the Climate Change Reserve.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 8 January 2020 Statutory Consultation (Parish Council's, Trade Unions and Federation of Small Businesses) was undertaken between 18 December 2019 and 4 February 2020. Public Consultation between the 13 January and 3 February 2020, including draft budget changes being made publicly available via the Council's website for wider public consultation.
Risks:	The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Officer Contact	Tracy Bingham, Head of Finance 01530 454707 tracy.bingham@nwleicestershire.gov.uk

Budget Proposals

Savings Proposals (including additional income)

Proposal Title	Amount	One-off / Ongoing
Business Focus – LLEP Match Funding	-£450,000	Ongoing
Environmental Protection - Reduction in the council's contribution to Disabled Facilities Grants	-£18,440	Ongoing
HR and Payroll - Delivery of Payroll Service to other local authorities	-£18,045	Ongoing
Leisure – saving as a result of the outsourcing	-£368,850	Ongoing
Planning & Infrastructure Savings	-£131,880	Ongoing
Revenues & Benefits – additional summons income	-£11,850	Ongoing
Waste Services - Delivery of the empty homes contract for Housing	-£9,667	Ongoing
Agency & Consultancy Savings	-£64,410	Ongoing
Financial Sustainability and Infrastructure Budget	-£550,000	Ongoing
Savings as a result of Leisure Outsourcing (Corporate Overheads)	-£138,730	Ongoing
Business Focus – Town Centre Manager	-£12,000	Ongoing
Cultural Service – Events Income	-£5,000	Ongoing
Environmental Protection - Additional income in relation to New Market	-£16,000	Ongoing
Licensing - Additional taxi licence income	-£6,000	Ongoing
Property – Additional Rental Income	-£5,610	Ongoing
Revenues & Benefits – rent allowances/bed & breakfast/rent rebates	-£7,490	Ongoing
Reduction in localisation of council tax scheme	-£25,193	Ongoing
Increase in net recharges from General Fund	-£141,730	Ongoing
Total	-£1,980,895	

Proposals to cover cost pressures

Proposal Title	Amount	One-off / Ongoing
Democratic Services – increase in Special Responsibility Allowance	£13,000	Ongoing
Finance – increase in insurance costs	£34,480	Ongoing
Finance – Software upgrade	£5,240	One-off
HR – InPhase Software Licences	£14,136	Ongoing
ICT – Corporate ICT Licences	£24,620	Ongoing
Planning – reduction in planning fee income	£100,000	Ongoing
Property Services – increase maintenance for the Council Offices	£224,000	One-off
Revenues & Benefits – Discretionary Hardship Relief	£30,430	Ongoing
Revenues & Benefits – Discretionary Housing Payment	£23,720	Ongoing
Revenues & Benefits – DWP Admin Grant	£22,430	Ongoing
Waste Services – cleaning of refuse vehicles	£10,000	Ongoing
Waste Services – asbestos clearing	£11,000	Ongoing
Minimum Revenue Provision	£117,054	Ongoing
Environmental Protection – increase in NDR and reduction in income for the council's car parks	£87,770	Ongoing
Environmental Protection – Off-street Enforcement	£6,020	Ongoing
Environmental Protection – increase in NDR for the Newmarket	£9,460	Ongoing
Environmental Protection – increased contribution to Blaby in relation to the Lightbulb Project	£7,560	Ongoing
Planning Policy – Grant	£29,650	Ongoing
Property Services – Repairs to investment properties	£45,140	One-off
Waste Services – fuel, repairs and new/replacement bins	£8,490	Ongoing
Waste Services – reduced of trade waste income for internal contracts	£6,590	Ongoing
Total	£830,790	

Service Development Proposals

Proposal Title	Amount	One-off / Ongoing
Creation of a Climate Change Reserve	£885,000	One-off
Revenue Contribution to Capital –off street electric charging points	£115,000	One-Off
Business Focus – People, Place and Business Grants	£71,000	One-Off
Development Corporation	£100,000	One-Off
Additional voluntary pension contribution	£153,325	One-Off
Leisure Services – Hermitage Recreation Ground Feasibility	£50,000	One-off
Cultural Services – Tourism Strategy	£20,000	3 years
Safer & Stronger – Expand the free scheme	£13,030	Ongoing
Cultural Services – Timber Festival	£10,000	One-off
Property Services – Letting Agent	£9,530	Ongoing
Community Services – Tree Maintenance	£15,000	Ongoing
Community Services – Part Funding for Bardon Quarry Grants	£10,000	Ongoing
Total	£1,451,885	

Other changes affecting the Net Cost of Services

Proposal Title	Amount	
Staffing increases as a result of incremental payments	£176,070	
Staffing increases as a result of the Pay Award (budgeted at 2%)	£296,800	
Staffing increases as result of pension changes (excluding the voluntary contribution)	£97,770	
Other Staffing increases (overtime, vacancy, change of hours)	£92,420	
Total Staffing Increases		£663,060
De minimis budgetary changes (changes below £5k)		£59,021

Funding Changes

Proposal Title	Amount	Movement	One-off / Ongoing
Reduction in forecast Collection Fund Surplus	£23,786	Funding reduction	Ongoing
Council Tax Growth as a result of growth in homes	-£143,832	Increased funding	Ongoing
New Homes Bonus growth as a result of growth in homes in District	-£342,583	Increased funding	Ongoing
Additional Business Rates funding as a result of increase in rates and anticipated business growth	-£494,529	Increased funding	Ongoing
TOTAL	-£957,158		

APPENDIX B

COMPARISON OF 2019/20 AND 2020/21 FEES AND CHARGES								
Chargeable Service	2019/20		2020/21				Basis for Change	Charging Policy
	Actual 2019/20	Notes	Estimates 2020/21	Increase/ (Decrease)	Percentage Change	Notes		
Appleby Magna Caravan Site Rent	£16,527	Rent: £33.05pw	£8,495	£219	2.60%	£33.91 per week from April 2020 an increase of 86p per week from 5 remaining residents	Proposed to increase costs by September RPI for 20/21	Business Development
Lifelines for private customers	£130,951	£4.08pw basic, £6.15pw enhanced 3.3% increase also proposed for all sensor elements	£134,356	£3,405	2.60%	£4.19pw Basic; £6.31pw Enhanced. 2.6% increase will also apply to all sensors	Proposed to increase charges by September RPI for 20/21.	Service development
Environmental Health – Licensing	£263,710	Fee varies between £3 and £64,000	£270,950	£7,240	Between 0% - 8.33%	Fee varies between £3 and £64,000	Increase in expenditure/ demand	Subsidised / Full Cost Recovery
Environmental Health – Health & Safety	£29,500	Fee varies between £4 and £140	£29,310	(£190)	Between 0% and 33%	Fee varies between £4 and £145	Increase in expenditure/ demand	Full Cost Recovery
Environmental Health – Border Post Inspection	£14,300	Fee varies between £20 and £184	£13,350	(£950)	Between 0% and 25%	Fee varies between £25 and £188	Demand	Full Cost Recovery
Environmental Health – Pest Control	£32,280	Fee varies between £10 and £200	£25,900	(£6,380)	Between -9% and 25%	Fee varies between £10 and £200	Demand/ change in delivery model	Subsidised / Full Cost Recovery

Chargeable Service	2019/20		2020/21				Basis for Change	Charging Policy
	Budget 2019/20	Notes	Estimates 2020/21	Increase/ (Decrease)	Percentage Change	Notes		
Leisure – Football Pitches	£11,390	Match prices: £27/£48 Team: £266/£480	£9,570	(1,820)	2.60%	Match prices: £28/£49 Team: £273/£492	Annual increase/demand	Subsidised
Leisure – Bowls Club	£980	£982	-	(£980)	2.65%	£1,008	Demand	Subsidised
Waste – Bulky Collections	£40,000	£24	£42,660	£2,660	4.17%	£25	To enable a breakeven position	Full Cost Recovery
Waste – Trade Refuse	£463,290	240l - £7.25 360l - £8.65 770l - £14.40 1100l - £15.55	£475,840	12,550	Between 3.45% - 4.17%	240l - £7.50 360l - £9.00 770l - £15.00 1100l - £16.15	To cover inflation increases	Full Cost Recovery
Waste – Trade Sacks	£7,010	£2.46 per sack (min 50 sacks)	£7,700	£690	9.76%	£2.70 per sack (min 50 sacks)	To cover inflation increases	Full Cost Recovery
Waste – Trade Recycling	£41,640	360l - £3.15 1100l – £5.25	£50,860	£9,220	4.76%	240l - £3.30 360l - £3.30 1100l - £5.50	To cover inflation increases	Full Cost Recovery
Waste – Taxi MOTs	£22,160	£40	£23,160	£1,000	2.5%	£41	To cover increase in costs	Profit Generating
Environmental Protection – Burial Fees	£61,890	Fees range from £65 - £1,305	£66,150	£4,170	5%	Fees range from £68 - £1,370	To cover increase in costs	Full Cost Recovery

	2019/20		2020/21				Basis for Change	Charging Policy
Chargeable Service	Budget 2019/20	Notes	Estimates 2020/21	Increase/ (Decrease)	Percentage Change	Notes		
Environmental Protection – New Market	£99,000	Stalls range from £18.40 - £66.60 per day	£115,000	£16,000	n/a due to new fee structure for the Newmarket	New fees for the New Market £17.50 - £40 per stall per day	Opening of the Newmarket	Profit Generating
Building Control – Fee Earning	£170,000	Hourly Rate: £50 per hour	£170,000	£0	Increase in hourly rate of 10%	Hourly Rate: £55 per hour	To ensure breakeven position.	Breakeven taking one year with the next.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2020/21

2019/20 Budget £	2019/20 Forecast Outturn @P9 £	Service	2020/21 Budget £	2021/22 Indicative £	2022/23 Indicative £	2023/24 Indicative £	2024/25 Indicative £
285,630	250,720	Chief Executive	368,460	272,250	279,450	286,820	294,100
659,160	653,890	Human Resources	642,900	646,870	661,110	675,180	689,860
1,339,580	1,253,100	Legal & Support Services	1,369,630	1,374,680	1,411,960	1,441,220	1,472,900
2,284,370	2,157,710	Total Chief Executive's Department	2,380,990	2,293,800	2,352,520	2,403,220	2,456,860
399,470	394,213	Strategic Director of Place	359,290	364,330	374,430	384,790	395,040
5,984,670	6,195,267	Community Services	6,270,430	6,277,940	6,214,270	6,139,240	6,211,210
391,160	373,620	Planning & Infrastructure	392,260	550,270	440,690	406,260	522,350
1,299,470	1,269,620	Economic Development	959,190	924,240	826,200	820,630	837,470
7,850	7,850	Joint Strategic Planning	11,630	11,750	11,990	12,230	12,480
8,082,620	8,240,570	Total Director of Services	7,992,800	8,128,530	7,867,580	7,763,150	7,978,550
533,310	554,770	Strategic Housing	534,500	551,140	565,870	580,450	595,370
170,770	281,880	Property Services	480,820	245,140	239,770	254,740	270,030
2,461,840	2,321,470	Customer Services	2,618,940	2,721,900	2,810,260	2,900,260	2,986,610
922,790	1,000,760	Finance	962,050	924,490	948,030	972,070	995,640
4,088,710	4,158,880	Total Director of Housing & Customer Services	4,596,310	4,442,670	4,563,930	4,707,520	4,847,650
9,840	2,490	Non Distributed - Revenue Expenditure on Surplus Assets	15,740	16,000	16,280	16,560	16,840
77,510	125,520	Non Distributed - Retirement Benefits	77,760	79,340	80,950	82,590	84,270
35,520	35,710	Corporate & Democratic Core	39,440	38,070	41,130	39,630	42,550
(21,610)	0	Savings in corporate overheads as a result of leisure outsourcing less HRA element	0	0	0	0	0
0	0	Targeted savings in relation to J2SS	(570,000)	(895,000)	(1,120,000)	(1,245,000)	(1,270,000)
0	0	Climate Change Reserve	885,000				
14,556,960	14,720,880	NET COST OF SERVICES	15,418,040	14,103,410	13,802,390	13,767,670	14,156,720
(1,320,350)	(1,313,400)	Net Recharges from General Fund	(1,462,080)	(1,493,860)	(1,526,390)	(1,558,090)	(1,590,320)
13,236,610	13,407,480	NET COST OF SERVICES AFTER RECHARGES	13,955,960	12,609,550	12,276,000	12,209,580	12,566,400
		CORPORATE ITEMS AND FINANCING					
		Corporate Income and Expenditure					
1,092,590	1,092,590	Net Financing Costs	1,209,643	2,089,333	2,456,632	2,538,087	2,750,193
(188,450)	(236,841)	Investment Income	(190,800)	(131,877)	(124,383)	(117,482)	(109,902)
113,889	113,889	Localisation of Council Tax Support Grant - Parish & Special Expenses	88,696	47,627	31,751	15,875	
470,000	517,000	Revenue Contribution to Capital (Marlborough Square)	0	0	0	0	0
0	0	Revenue Contribution to Capital (Charging Points)	115,000	0	0	0	0
14,724,639	14,894,118	NET REVENUE EXPENDITURE	15,178,500	14,614,633	14,640,000	14,646,061	15,206,691
161,090	353,410	Contribution to/(from) Balances/Reserves	664,388	67,140	(695,337)	(682,695)	(321,480)
14,885,729	15,247,528	MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)	15,842,888	14,681,774	13,944,663	13,963,365	14,885,212

2019/20 Budget £	2019/20 Forecast Outturn @P9 £	Service	2020/21 Budget £	2021/2022 Indicative £	2022/23 Indicative £	2023/24 Indicative £	2024/25 Indicative £
3,068,124	3,068,124	Financed By					
89,872	89,872	New Homes Bonus	3,410,707	1,887,419	891,117	0	0
5,340,657	5,340,657	Transfer from Collection Fund	66,086				
6,387,076	6,748,875	Council Tax	5,484,489	5,587,566	5,682,714	5,777,862	5,873,010
0		National Non-Domestic Rates Baseline	6,881,605	4,613,385	5,397,212	8,185,503	9,012,202
		Damping		2,593,403	1,973,619		
14,885,729	15,247,528	TOTAL FUNDING AVAILABLE	15,842,888	14,681,774	13,944,663	13,963,365	14,885,212

SPECIAL EXPENSES BUDGET SUMMARY

SPECIAL EXPENSES	2019/20		2020/21	2021/22	2022/23	2023/24	2024/25
	Budget	Forecast Outturn @ P9	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
COALVILLE							
Parks, Recreation Grounds & Open Spaces	284,710	300,475	296,030	301,940	308,280	314,750	321,050
Broomley's Cemetery & Closed Churchyard	20,630	21,839	25,110	25,610	26,150	26,700	27,230
One Off Grants	2,000	2,000	2,000	2,000	2,000	2,000	2,000
CV Public Conveniences, Vehicle Activated Signs & Other Exp	3,510	3,200	8,620	3,690	3,770	3,850	3,920
Coalville Events	61,370	64,540	71,910	72,140	72,600	73,050	73,500
PPM	0	0	45,840	20,980	59,170	54,800	3,300
	372,220	392,054	449,510	426,360	471,970	475,150	431,000
WHITWICK							
Cemetery & Closed Churchyard	14,370	10,387	22,890	28,810	12,950	14,680	13,230
Cademan Wood car park	660	655	990	1,010	1,030	1,050	1,070
	15,030	11,042	23,880	29,820	13,980	15,730	14,300
HUGGLESCOTE							
Cemetery & Closed Churchyard	21,460	14,922	33,150	31,460	26,060	26,380	23,680
	21,460	14,922	33,150	31,460	26,060	26,380	23,680
PLAY AREAS/CLOSED CHURCHYARDS							
GROUND MAINTENANCE:							
OSGATHORPE	380	375	390	400	410	420	430
COLEORTON	3,490	3,488	18,820	6,190	8,460	5,280	5,260
RAVENSTONE	380	375	390	3,000	4,910	1,720	2,230
MEASHAM	1,990	1,988	4,390	4,390	6,730	3,370	3,410
LOCKINGTON-CUM-HEMINGTON	1,960	1,955	3,410	2,720	2,760	10,800	2,840
OAKTHORPE & DONISTHORPE	4,050	4,052	4,330	4,410	4,500	4,590	4,680
STRETTON	1,420	1,423	2,270	1,800	1,830	8,860	1,890
APPLEBY MAGNA	1,710	1,712	4,020	13,440	3,290	2,980	3,020
OTHER SPECIAL EXPENSES	15,380	15,368	38,020	36,350	32,890	38,020	23,760
SPECIAL EXPENSES (NET COST OF SERVICE)	424,090	433,386	544,560	523,990	544,900	555,280	492,740
Service Management recharges/Admin Buildings	111,540	111,540	122,000	124,470	127,050	129,680	132,250
NET COST OF SERVICES AFTER RECHARGES	535,630	544,926	666,560	648,460	671,950	684,960	624,990
Contribution to/(from) Balances/Reserves	4,074	(5,222)	(35,421)	(27,457)	(28,827)	232	94,868
MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)	539,704	539,704	631,139	621,003	643,123	685,192	719,858
FUNDED BY:							
Precept	476,201	476,201	514,745	555,714	601,112	651,857	709,208
Localisation of Council Tax Support Grant	63,503	63,503	63,503	47,627	31,751	15,875	0
Asset Protection/External Contributions	0	0	52,891	17,662	10,260	17,460	10,650
	539,704	539,704	631,139	621,003	643,123	685,192	719,858

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Statutory Budget Consultation Responses

Consultee	Response
Measham Parish Council	The budget proposal seems fair, however parity among all Councils with respect to funding would, we believe increase services in all areas.

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2020-21 Council Budget Consultation - General Fund and Special Expenses: Interim report

This report was created on Thursday 23 January 2020 at 09:15.

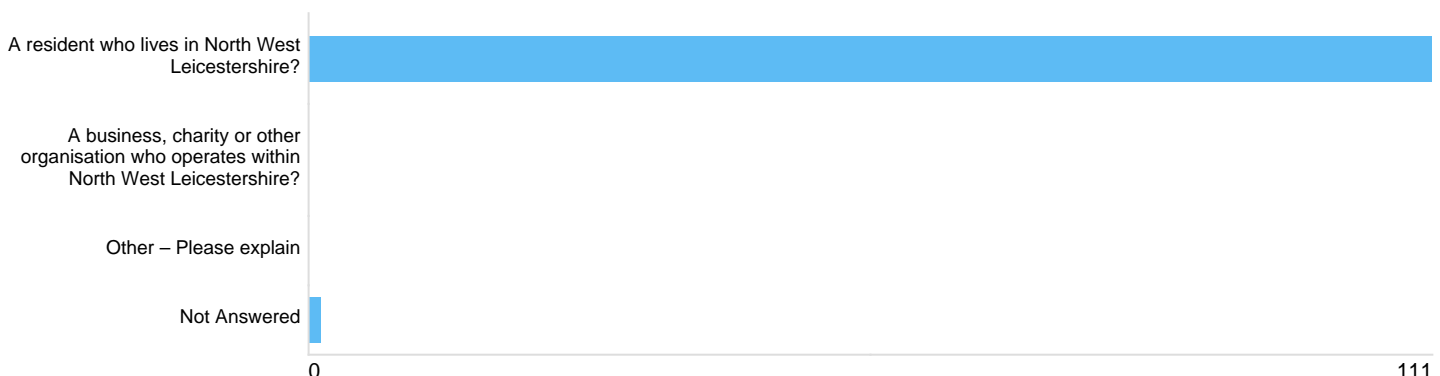
The consultation had not yet closed when this report was generated. As such, this report may not accurately reflect the final distribution of responses, and should be treated as interim only.

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How supportive are you of this increase in the Special Expenses element of council tax?	4
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Question 4: We are making changes to the charges we apply to additional services we provide.	5
How supportive are you of the increases in fees and charges?	5
What comments would you like to make about these changes to fees and charges? (If you would like to comment on a particular fee and charge, please clearly note which element you are referring to).	5
Question 5: We plan to save £1.9 million in 2020/21 and we will manage £888,000 of cost pressures on our services, such as increases in costs of supplies we purchase.	5
How supportive are you of this expenditure?	5
What comments would you like to make about our spending plans? (If you would like to comment on a particular element of our spending, please clearly note which element you are referring to)	5
Question 6: Capital expenditure relates to larger projects that produce something that will last for a number of years, such as new council buildings or major upgrades to our existing council buildings.	6
How supportive are you of this capital expenditure?	6
What comments would you like to make about our capital spending plans? (If you would like to comment on a particular element of our spending, please clearly note which element you are referring to).	6

Question 1: Are you?

Are you?



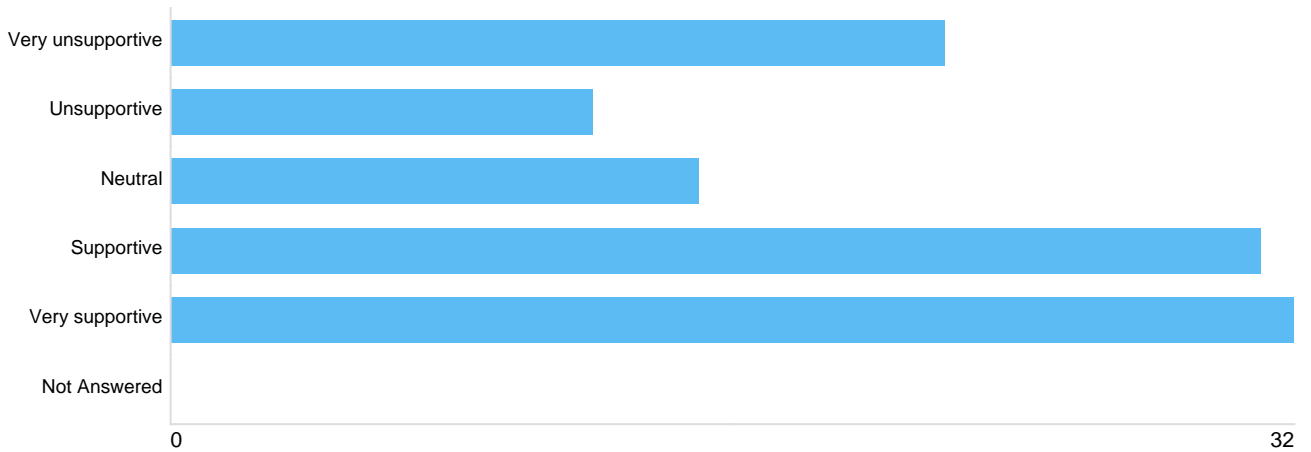
Option	Total	Percent
A resident who lives in North West Leicestershire?	111	99.11%
A business, charity or other organisation who operates within North West Leicestershire?	0	0%
Other – Please explain	0	0%
Not Answered	1	0.89%

Other – Please explain

There were **0** responses to this part of the question.

Question 2: Council Tax

How supportive are you of this increase?

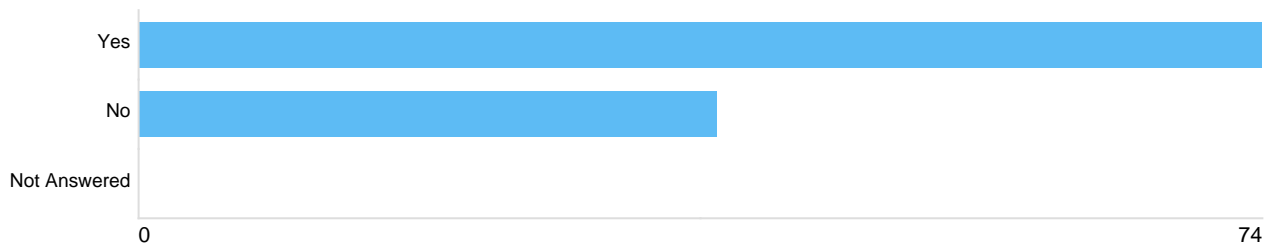


Option	Total	Percent
Very unsupportive	22	19.64%
Unsupportive	12	10.71%
Neutral	15	13.39%
Supportive	31	27.68%
Very supportive	32	28.57%
Not Answered	0	0%

What comments would you like to make about the council tax freeze?

There were **38** responses to this part of the question.

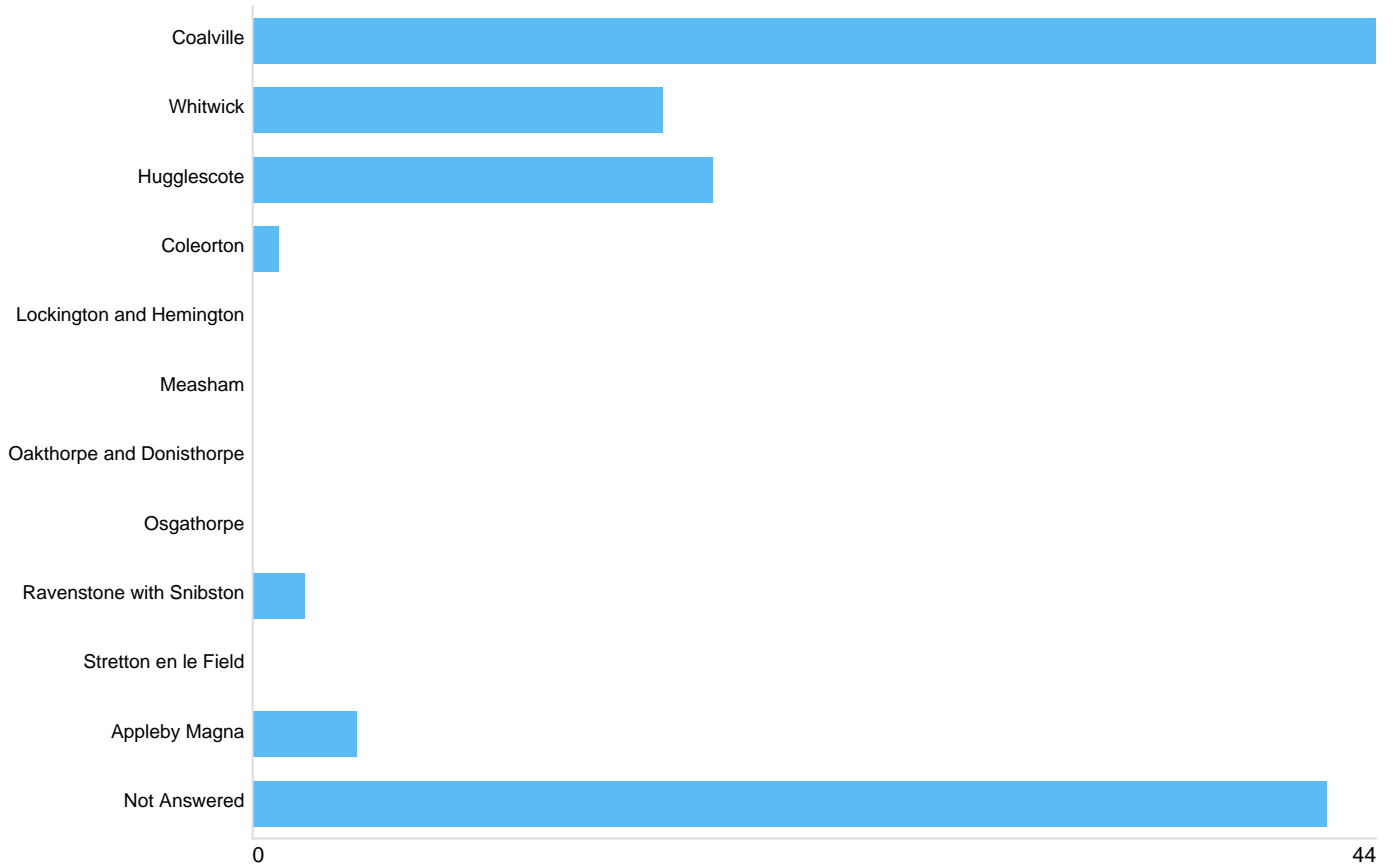
Live in a special expenses area



Option	Total	Percent
Yes	74	66.07%
No	38	33.93%
Not Answered	0	0%

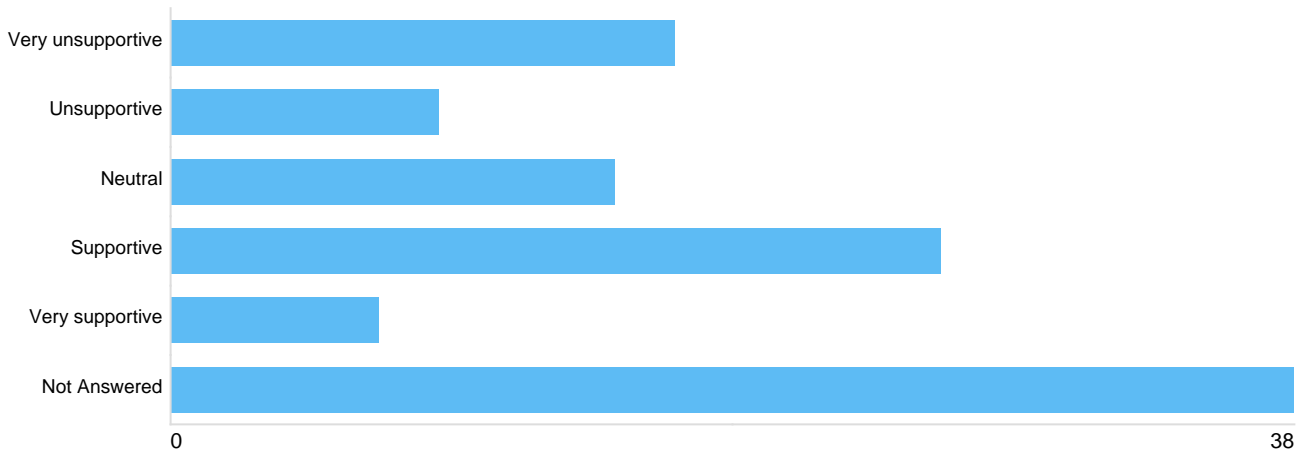
Question 3: We intend to increase the Special Expenses precepts

Special expenses areas



Option	Total	Percent
Coalville	44	39.29%
Whitwick	16	14.29%
Hugglescote	18	16.07%
Coleorton	1	0.89%
Lockington and Hemington	0	0%
Measham	0	0%
Oakthorpe and Donisthorpe	0	0%
Osgathorpe	0	0%
Ravenstone with Snibston	2	1.79%
Stretton en le Field	0	0%
Appleby Magna	4	3.57%
Not Answered	42	37.50%

How supportive are you of this increase in the Special Expenses element of council tax?



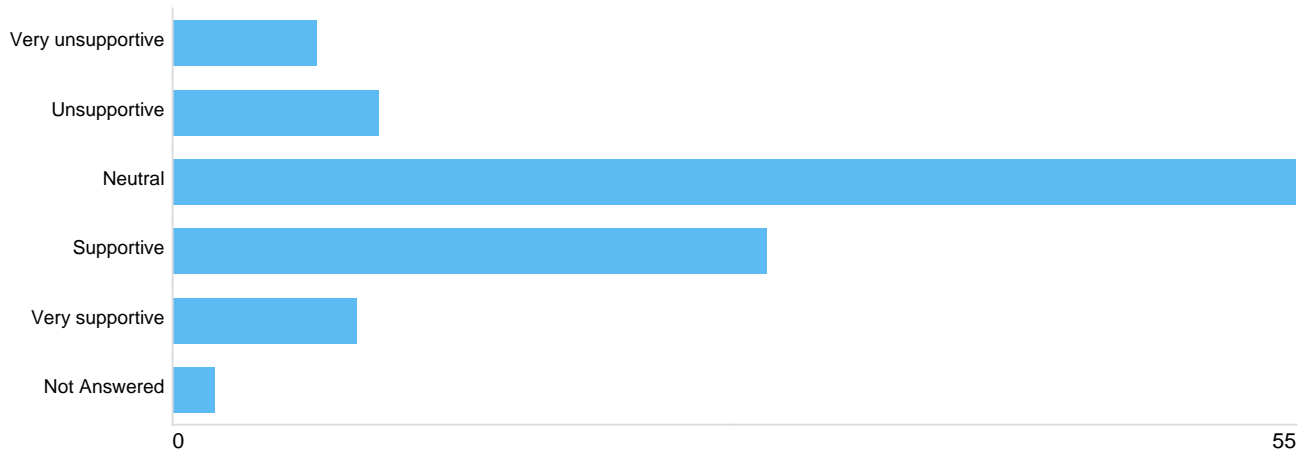
Option	Total	Percent
Very unsupportive	17	15.18%
Unsupportive	9	8.04%
Neutral	15	13.39%
Supportive	26	23.21%
Very supportive	7	6.25%
Not Answered	38	33.93%

What comments would you like to make about the proposed Special Expense council tax increases? (If you would like to comment on a specific parish, please clearly note which one you are referring to).

There were **34** responses to this part of the question.

Question 4: We are making changes to the charges we apply to additional services we provide.

How supportive are you of the increases in fees and charges?



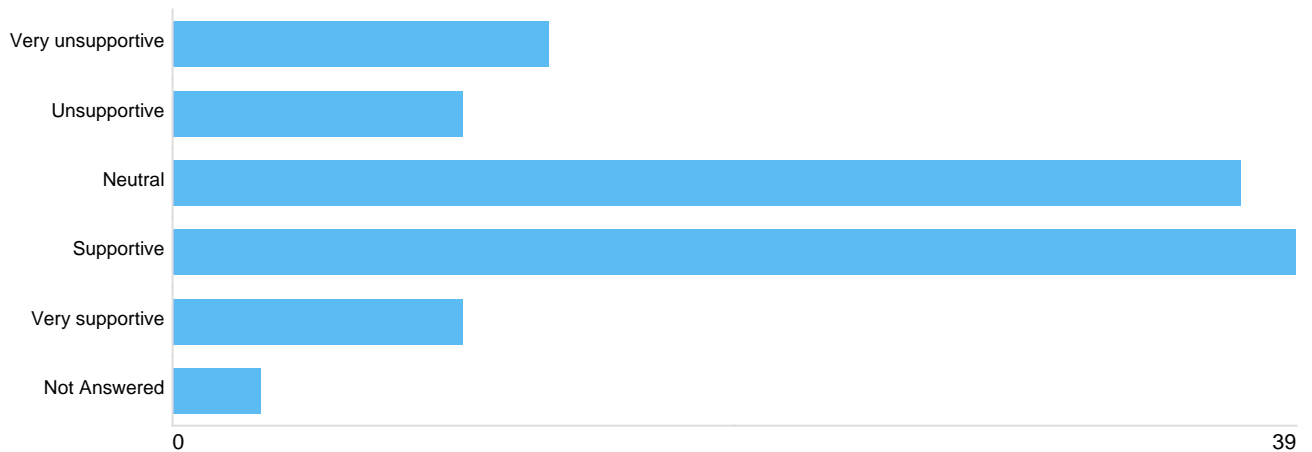
Option	Total	Percent
Very unsupportive	7	6.25%
Unsupportive	10	8.93%
Neutral	55	49.11%
Supportive	29	25.89%
Very supportive	9	8.04%
Not Answered	2	1.79%

What comments would you like to make about these changes to fees and charges? (If you would like to comment on a particular fee and charge, please clearly note which element you are referring to).

There were 27 responses to this part of the question.

Question 5: We plan to save £1.9 million in 2020/21 and we will manage £888,000 of cost pressures on our services, such as increases in costs of supplies we purchase.

How supportive are you of this expenditure?



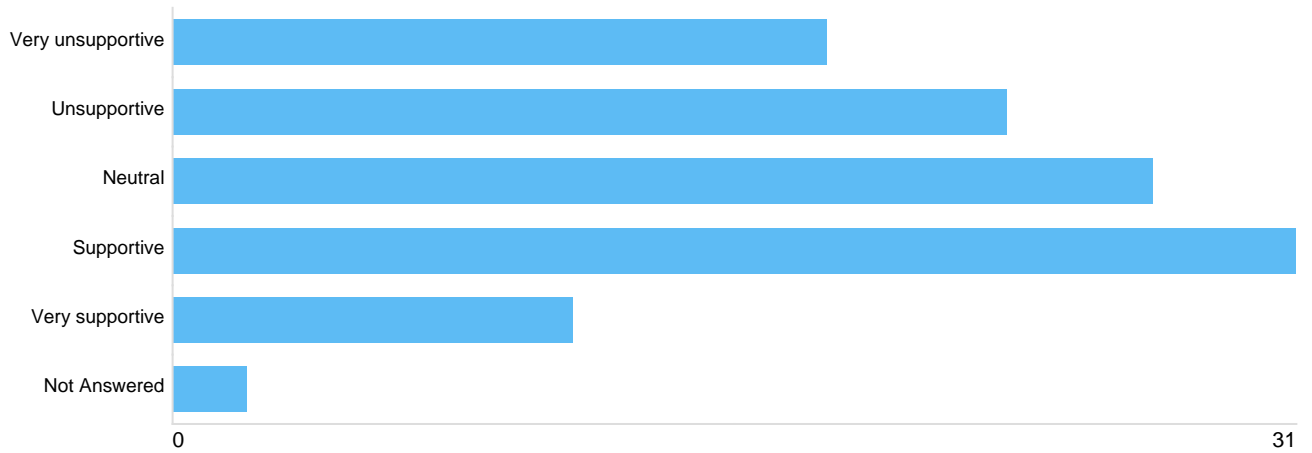
Option	Total	Percent
Very unsupportive	13	11.61%
Unsupportive	10	8.93%
Neutral	37	33.04%
Supportive	39	34.82%
Very supportive	10	8.93%
Not Answered	3	2.68%

What comments would you like to make about our spending plans? (If you would like to comment on a particular element of our spending, please clearly note which element you are referring to)

There were 45 responses to this part of the question.

Question 6: Capital expenditure relates to larger projects that produce something that will last for a number of years, such as new council buildings or major upgrades to our existing council buildings.

How supportive are you of this capital expenditure?



Option	Total	Percent
Very unsupportive	18	16.07%
Unsupportive	23	20.54%
Neutral	27	24.11%
Supportive	31	27.68%
Very supportive	11	9.82%
Not Answered	2	1.79%

What comments would you like to make about our capital spending plans? (If you would like to comment on a particular element of our spending, please clearly note which element you are referring to).

There were **45** responses to this part of the question.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	HOUSING REVENUE ACCOUNT (HRA) BUDGET FOR 2020/21	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	<u>Corporate Scrutiny Committee Draft Minutes – 7 November 2019</u>	Public Report: Yes
	<u>Draft Housing Revenue Account Budget for 2020/21 – 10 December 2019</u> <u>Corporate Scrutiny Committee Draft Minutes – 8 January 2020</u>	Key Decision: Yes
Financial Implications	This report sets out the budget for the Housing Revenue Account in 2020/21, and plans to deliver a surplus of £2.8m over the course of the year.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	AS detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To seek approval of the 2020/21 Housing Revenue Account (HRA) Budget.	
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2020/21.	
Recommendations	<p>THAT CABINET:</p> <p>A. NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER; AND</p> <p>B. RECOMMEND THE COUNCIL APPROVE THE FOLLOWING CHANGES TO RENTS AND CHARGES FOR 2020/21:</p> <p>a. INCREASE COUNCIL HOUSE RENTS BY UP TO 2.7%, AS DETAILED IN PARAGRAPH 4.1.</p> <p>b. DECREASE CHARGES BY AN AVERAGE OF 0.96%, AS SET OUT IN APPENDIX C.</p>	

	<p>c. INCREASE SERVICE CHARGES BY AN AVERAGE OF 0.44%, AS SET OUT IN APPENDIX D.</p> <p>C. RECOMMEND TO COUNCIL THAT IT APPROVES THE HOUSING REVENUE ACCOUNT BUDGET FOR 2020/21 AS SUMMARISED IN APPENDIX A.</p>
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1.0 INTRODUCTION

- 1.1 Cabinet considered the draft Housing Revenue Account (HRA) budget proposals for 2020/21 at its meeting on 10 December 2019 and approved the beginning of the consultation process. The report was subsequently shared with a number of groups, including the Corporate Scrutiny Committee on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report.
- 1.2 This report summarises any further changes that have been made to the budget since it was last presented to Cabinet and provides an update on the consultation responses received so far. The consultation will continue to run until 4 February 2020. Officers will provide an update to Cabinet on the results during the Cabinet meeting on the same date.

2.0 2019/20 BUDGET POSITION

- 2.1 We budgeted for a surplus in 2019/20 of £1.4m. By the end of December 2019, we were forecasting a surplus of £1.8m, an increase in surplus of £358k over budget. The main causes of this surplus are:
- Reduced expenditure on a painting programme of £100k.
 - Savings of £90k on utility costs, such as council tax, gas and electricity.
 - Lower than anticipated responsive repair costs, saving £50k.
 - Net staff savings of £114k.
- 2.2 As a result the balance on the Housing Revenue Account at 31 March 2020 is forecast to be £16.0m. This balance includes £13.0m to repay our loans that fall due in 2022, and a £1.0m working balance for the HRA. The remaining £2.0m are reserves available to use flexibly, following Cabinet's decision last year to stop automatically using surpluses for debt repayment. This could be used for additional capital improvement works, new housing stock, service improvements or the repayment of debt, subject to assessment of the HRA 5 year medium term financial plan. We will initially place this in the debt repayment reserve, as our default position is to repay debt, but we retain the flexibility to utilise this when opportunities arise.

3.0 2020/21 BUDGET OVERVIEW

- 3.1 The 2020/21 HRA budget is based upon the 2019/20 budget, with adjustments to reflect the known and anticipated changes for 2020/21. The proposed 2020/21 budget is set out in Appendix A, and budgets for a net surplus of £2.8m.

3.2 Changes since the draft budget

- 3.3 The budgeted surplus of £2.8m is £287k greater than the £2.5m budget surplus presented to Cabinet in December 2019. The causes of these changes are:
- **The revenue contribution to capital outlay (RCCO) falling by £400k.** This is due to a fall in the New Supply capital budget, as a result of a one planned

development site no longer being considered viable. The new RCCO figure for 2020/21 is £934k.

- **Additional voluntary one-off lump sum payment into our pension scheme.** The Council is what is referred to as a 'stabilised employer' in the Local Government Pension Fund, meaning we pay into the fund based on a stabilised contribution rate. This stabilised contribution rate is determined by the actuaries on a tri-ennial (3 yearly) basis by looking at the required rates needed over the forthcoming 17 years and smoothing them over that period to reduce volatility in the rates paid. The effect for the Council for 2020/21 is that we are due to pay 26% rather than then a rate of 29.5% that we would pay on an 'un-stabilised' approach.

Due to the forecast surpluses on both the General Fund and Housing Revenue Account at draft budget stage, we are planning to make an additional lump sum contribution to our pension fund of £71k in respect of Housing staff. This amount will be added to the £197k General Fund contribution (that covers an equivalent contribution in respect of staff working outside the Housing Service) to make a full contribution of £268k. Some of this was already budgeted for, so the increase in costs in the final HRA budget is £42k.

This budget proposal will be one-off in 2020/21 only, with a view to actively working to counteract the future pension liability (which stands at £56.3m as at 31 March 2019). The additional pension contribution will be invested by the Pension Fund to earn returns and reduce this liability. Assuming all other things remain equal, the Council should see a financial benefit from 2023 through broadly a 0.1% a reduction in contributions for future years.

- **Changes to recharges, increasing our costs by £21k.** Charges for various corporate services, (such as Human Resources or Finance for example), are split between the General Fund and HRA. Changes within the General Fund report, such as additional pension costs, feed through to the HRA in greater as higher recharge costs.
- **The surplus expected from the In-House Repairs team has fallen by £43k.** This is a result of the changes to recharged costs and pension costs also affecting the in-house repair team. It brings to total net surplus expected next year down to £285k.
- **Income from rents is expected to be £20k lower.** This is because we have sold more properties through right to buy than originally expected, reducing the income we can expect to receive next year.
- **We reduced our software licences budget by £14k.** This represented the share of costs associated with running the new housing IT system which will be met by the strategic housing element of the general fund.

3.4 As a result of early work on the Finance Work Stream of Journey to Self Sufficiency Programme, we expect to increase our estimate for income from our cash balances by £36.6k. This is because we intend to change how we manage our cash to increase the return we get. There is no impact on the surplus position as the unallocated journey to self-sufficiency targets will be reduced by the same amount, leaving £188k of savings or additional income to be identified in the year.

3.5 Appendix B lists all the changes made to the budget from 2019-20.

3.6 Use of surpluses

3.7 As set out in the December 2019 report, the budgeted surplus, now £2.8m, will initially be placed into the debt repayment reserve as a default option. However, we will draw upon it if required to fund future projects, such as the New Supply or work to reduce our carbon emissions.

4.0 RENTS, FEES AND CHARGES

4.1 The proposed rent increase of up to 2.7% remains unchanged from December 2019, and follows four years of 1% rent cuts. We now expect our rental income to increase by £297k in 2020-21.

4.2 The fees and charges for 2020-21 also remain unchanged, with service charges increasing on average by 0.44% and overall fees and charges falling by 0.96%. A full list of fees and charges and service charges can be found in Appendix C and D respectively.

5.0 MEDIUM TERM FINANCIAL PLAN

5.1 The Medium Term Financial Plan is presented to members as a separate agenda item at this meeting for approval. It has been updated with the figures within this report, and the favourable increase in surplus improves the position in 2020-21, but additional costs identified and rolled over the 5 year period mean the position over the 5 year period is marginally lower than previously reported, having fallen by £56k to £4,630k.

6.0 CONSULTATION PROCESS

6.1 Corporate Scrutiny

6.2 The Corporate Scrutiny Committee met on 8 January 2020 to review all the proposed budgets for 2020/21. A link to the draft minutes have been included as a background paper on page one of this report.

6.3 The main focus of the Committee's discussion was on the capital programme, which is subject to a separate agenda item at this meeting.

6.4 On the draft HRA budget, members of the committee suggested that we should write to all tenants to ask them for their views. After carefully considering this suggestion we have concluded our already-enhanced approach to consultation this year to be satisfactory. The approach we have adopted includes:

- Gathering reviews from the Performance and Finance Working Group, who are a group of tenants that meet quarterly to review the performance and financial position of the housing service. This meeting occurred on 12 December 2019 and their views are detailed in paragraphs 6.5 to 6.8 below.
- Writing to 100 'involved residents' to ask for their views.
- A large scale social media campaign across all our social media accounts, with an online survey for people to complete. Our main accounts reach tens of thousands of people each month, and our housing specific accounts reaching between 1,000 and 8,000 each month on average. The online consultation commenced on 13 January and will close on 3 February.
- A news release to promote the budget consultation.

We will, however, look to further improve the consultation next year with an article in our quarterly magazine that is sent to all tenants in January.

6.5 Performance and Finance Working Group

6.6 The Performance and Finance Working Group is a group of tenants who meet quarterly to review the performance and financial position of the housing service. They reviewed the 2020/21 budget on 12 December 2019.

6.7 Their main feedback was that they would prefer for rents not be increased by 2.7%, which was seen to be a large jump. However, they could understand why we would increase rents after four years of 1% cuts in rent, as it would enable us to continue to invest in the service and homes we provide.

6.8 There were further comments on the HRA capital programme, which have been noted in the capital programme report that is a separate agenda item at this meeting.

6.9 Ongoing Consultation

6.10 The consultation will remain open until 4 February. Any additional feedback will be shared with Cabinet during the meeting on 4 February 2020. The other sources of feedback include:

- Trade Unions.
- The Tenants and Leaseholders Forum, who will be consulted at their next meeting on 27 January 2020.
- The online consultation, which closes at midnight on 3 February 2020.

6.11 Update on the online consultation

6.12 Whilst the consultation is still underway, we have already had 28 responses and 6 of these identified themselves as living within one of our properties. The survey asks respondents to rate how supportive they are to budget proposals from “very unsupportive” to “very supportive”, and provides an opportunity to add comments. Table one below gives a brief summary of the responses, with the highest number of responses highlighted in bold. It shows that so far more people are supportive of the proposed changes than are unsupportive. Appendix E provides a more detailed summary report of the responses so far.

Table 1: Overview of responses to the HRA Consultation

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
On the proposed rent increase of up to 2.7%	20 (71%) amongst all respondents 3 (50%) amongst our residents	4 (14%) amongst all respondents 2 (33%) amongst our residents	4 (14%) amongst all respondents 1 (17%) amongst our residents	<ul style="list-style-type: none"> • There was recognition that our rents are lower than private rents. • There were requests to ensure that the increases benefited tenants.
On planned changes to service charges	16 (57%) amongst all respondents 3 (50%) amongst our residents	9 (32%) amongst all respondents 1 (17%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • One individual did not support the rise in the older person charge. • Another was very unsupportive of the increase in grounds maintenance over concerns around the level of service they are receiving.

On planned changes to other fees and charges	12 (43%) amongst all respondents 2 (33%) amongst our residents	8 (29%) amongst all respondents 2 (33%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • 4 comments suggested we should be decreasing shop leases, not increasing them. • One commented that the lifeline costs should not be increased given the effect it would have on the elderly.
On changes to our planned day to day spend	12 (43%) amongst all respondents 1 (17%) amongst our residents	9 (32%) amongst all respondents 3 (50%) amongst our residents	7 (25%) amongst all respondents 2 (33%) amongst our residents	<ul style="list-style-type: none"> • The value for money review of the In-house repair team's delivery of the home improvement programme was considered a good idea by one respondent, but another felt the cost for it was excessive. • One tenant questioned whether it is necessary to have a support officer to work with tenants who have opted not to receive the support.

7.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 7.1 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.
- 7.2 The council's current projections within the HRA Medium Term Financial Plan (MTFP) show a stable 5 year financial position. The plan now also includes £2.6m of targeted Journey to Self-Sufficiency savings.
- 7.3 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2020/21 are robust and prudent, and the proposals are deliverable.
- 7.4 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves are adequate.

Policies and other considerations, as appropriate	
Council Priorities:	The HRA budget mainly assists the “local people live in high quality, affordable homes” priority. There are also links to the value for money priority.
Policy Considerations:	This budget sets out our rent policy for 2020/21, in line with the proposed national rent increase formula.
Safeguarding:	No issues
Equalities/Diversity:	<p>We have considered the impact of changes to the HRA budget on the protected characteristics defined within the Equalities Act.</p> <p>The changes to rent could adversely affect those with protected characteristics within our properties, particular age as the demographic of our tenants tends to be older people. However, this is offset by an additional support officer focused on tenants within supported housing, who tend to be older, and the general benefit of a financially sustainable landlord service that can continue to offer those in need lower cost accommodation.</p>
Customer Impact:	<p>The majority of our tenants will be impacted by the increase in rents set out within this report.</p> <p>The budget also ensures that our Housing service is sufficiently resourced to be a good landlord.</p>
Economic and Social Impact:	No issues
Environment and Climate Change:	<p>These budgets do not reflect the climate emergency declared by the Council in May 2019. This is because officers are still building up an understanding of how we can respond most effectively.</p> <p>We consider the HRA budgets to have sufficient flexibility to absorb additional costs during the year to start this work when completed.</p>
Consultation/Community Engagement:	<ul style="list-style-type: none"> • Corporate Leadership Team (CLT). • Housing and Property Services Portfolio Holder • Corporate Scrutiny Committee.
Risks:	The Council sets a 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.
Officer Contact	<p>Tracy Bingham Head of Finance and Section 151 Officer 01530 454 707 tracy.bingham@nwleicestershire.gov.uk</p>

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HOUSING REVENUE ACCOUNT SUMMARY	2019/2020		2020/2021
	Budget £	Forecast (p9) £	Estimate £
1. TOTAL REPAIRS & MAINTENANCE	5,365,350	5,149,930	5,534,960
SUPERVISION & MANAGEMENT			
2. General	2,134,230	1,987,690	2,099,390
3. Special / Supporting People	559,550	552,080	592,340
4.	2,693,780	2,539,770	2,691,730
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	2,750	2,750	2,750
9. TOTAL CAPITAL FINANCE COSTS	3,141,940	3,141,940	3,141,940
10. IN-HOUSE REPAIRS TEAM NET (SURPLUS)/DEFICIT	See note 1	See note 1	(285,520)
11. DEPARTMENTAL ADMINISTRATION	7,060	-12,870	0
12. TOTAL EXPENDITURE	11,301,070	10,918,770	11,183,110
13. RENT INCOME			
14. Dwellings	17,009,750	17,006,650	17,306,320
15. Service Charges	553,070	514,740	556,770
16. Garages & Sites	65,920	60,750	65,920
17. Other	20,120	19,060	23,140
18. TOTAL INCOME	17,648,860	17,601,200	17,952,150
19. NET COST/(SURPLUS) OF SERVICES	-6,347,790	-6,682,430	-6,769,040
20. J2SS Cost Savings/Income increases	0	0	-225,000
21. CAPITAL FINANCING - HISTORICAL DEBT	125,000	125,000	125,000
22. CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
23. INVESTMENT INCOME	-108,550	-124,550	-109,900
24. PREMATURE LOAN REDEMPTION PREMIUMS	7,060	0	0
25. TOTAL DEBT FINANCING COSTS	3,280,680	3,257,620	3,272,270
26. NET OPERATING EXPENDITURE/(SURPLUS)	-3,067,110	-3,424,810	-3,721,770
27. REVENUE CONTRIBUTION TO CAPITAL	1,700,000	1,700,000	934,000
28. DEPRECIATION CREDIT	(50,730)	(50,730)	0
28.	1,649,270	1,649,270	934,000
29. NET (SURPLUS) / DEFICIT	-1,417,840	-1,775,540	-2,787,770
<u>HRA BALANCES</u>			
30. Balance Brought Forward	-1,272,099	-1,272,099	-1,000,000
31. (Surplus)/Deficit for Year	-1,417,840	-1,775,540	-2,787,770
32. Transfer to Loan Repayment Reserve	1,417,840	2,047,549	2,787,770
33. HRA General Balance as at year end	-1,272,099	-1,000,000	-1,000,000
34. Loan Repayment Reserve balance	-13,000,000	-15,047,639	-17,835,409

Note 1: This is the first year we have presented the In-house repairs team surplus in this way, so there is no comparable figure for 2019/20

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HRA Budget Proposals over £5,000

APPENDIX B

* Denotes a proposal that has changed from the previous Cabinet report in December 2019

Reason for changing the budget	Proposal	One-off recurring	Council priority	Investment/ (Saving) Amount
Cost Pressures	Inflationary increase to our responsive repairs budget	Recurring	High Quality Affordable Homes	£25,000
	An additional post to support delivery of the Home Improvement Programme for 12 months.	One-off	High Quality Affordable Homes	£29,000
	Increasing aids and adaptation revenue budget to match demand.	Recurring	High Quality Affordable Homes	£13,500
	Additional investment in asbestos surveys across our stock.	Recurring	High Quality Affordable Homes	£42,000
	* Additional recharge costs	Recurring	Value for money	£21,000
Increase/ Decrease in Income	*Increase in rental income	Recurring	High Quality Affordable Homes	-£297,000
	*Net increase in income from the In-House Repairs team trading account.	Recurring	Value for money	£-286,000
Service Development	Commission a Value for Money Review of the IRT delivery of the HIP program during Q2 of 2020/21	One-off	Value for money	£10,000
	Additional staff member to meet increased compliance requirements and increased contact with support customers	Recurring	Safe, Healthy & Connected Communities	£31,000
	*Contractual savings from the new Housing IT system.	Recurring	High Quality Affordable Homes	-£60,200
	Additional post to manage the new Housing IT system.	Recurring	High Quality Affordable Homes	£35,000
	*Additional voluntary pension payment	One-Off	Value for money	£52,000
Budget Saving	Our electricity costs are expected to fall.	Recurring	Value for money	-£20,000
	Our gas costs are expected to fall.	Recurring	Value for money	-£18,500
	Reduction in our council tax liability as a result of long-term empty homes being demolished.	Recurring	Value for money	-£50,000
	Savings on cleaning costs	Recurring	Value for money	-£19,000
	Reduction in HRA contribution to homelessness grants	Recurring	Value for money	-£9,000
	Maintenance savings resulting from a new system being under warranty.	One-Off	Value for money	-£8,000

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APPENDIX C

COMPARISON OF 2019/20 AND 2020/21 HOUSING CHARGES
APPENDIX C

Chargeable Service	2019/20		2020/21			Notes	Basis for Change	Charging Policy
	Actual 2019/20	Notes	Estimates 2020/21	Increase/ (Decrease)	Percentage Change			
Service Charges	£566,081	See Appendix D	£568,559	£2,478	0.44%	See Appendix D	Based on assessment of all chargeable services	Full Cost Recovery
Central Heating	£84,550	0 Bed: £6.97pw 1 Bed: £8.41pw 2 Bed: £9.65pw 3 Bed: £11.09pw	£76,095	-\$8,455	-10.00%	0 Bed: 6.27pw 1 Bed: £7.57pw 2 Bed: £8.68pw 3 Bed: £9.99pw	Based on revised estimate of usage and forecast energy prices for 2020/21.	Full Cost Recovery
Garage & Garage Site Rent	£72,761	Garage: £6.91 per week Garage Site: £4.43 per week	£66,654	-\$6,107	2.60%	Garage: £7.09 per week Garage Site: £4.54 per week	Charges increasing by September 2019 RPI, but number of occupied garages decreasing.	Profit generating
Shop Leases	£21,186	Varies by location	£24,152	£2,966	14.00%	Varies by location	Average 14% increase for 10 years based on Nov 2014 Cabinet Report	Profit generating
Tenants Contents Insurance	£51,961	Premiums from £0.28 to £6.23 per week	£51,961	£0	0.00%	Premiums from £0.28 to £6.23 per week	No increases this year.	Profit generating
Lifelines (East Midlands Housing Association)	£41,829	Various depending on scheme but average increase from £2.99 to £3.09 per week	£42,917	£1,088	2.60%	Various depending on scheme but average increase from £3.07 to £3.18 per week	September 2019 RPI increase in line with other years	Service development
Total Services	£838,368		£830,338	-\$8,030	-0.96%			

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Housing Service Charges

APPENDIX D

COMPARISON OF 2019/20 AND 2020/21 SERVICE CHARGES					
	2019/20	2020/21			Comments
Chargeable Service		Estimates 2020/21	Increase/ (Decrease)	Percentage Change	Basis of Increase/(Decrease)
Cleaning of shared/common parts	£64,470	£65,759	£1,289	2.00%	Contractual inflationary increase.
New Cleaning Contract Blocks	£29,686	£30,280	£594	2.00%	Contractual inflationary increase.
Repairs to shared/common parts	£4,755	£4,755	£0	0.00%	Continuation of freeze of these costs since 2018/19.
Grounds maintenance of shared/common parts	£106,782	£109,985	£3,203	3.00%	Inflationary increase.
Utility costs of shared/common parts (Electricity)	£77,420	£69,678	-£7,742	-10.00%	Decrease as a result of planned budgetary savings.
Door entry systems	£1,584	£1,565	-£19	-1.19%	Based on falling actual costs.
Repairs and replacement of items in laundry room	£22,343	£22,790	£447	2.00%	Contractual inflationary increase.
Repair and replacement of items in common room/kitchen	£599	£623	£24	4.00%	Based on analysis of actual costs.
Support Officer checks in Schemes including fire Alarms	£6,258	£6,383	£125	2.00%	Proposal to extend checks to include legionella testing and emergency lighting checks weekly.
Servicing of fire extinguishers	£718	£850	£132	18.30%	Based on average of past 6 years actual charges
Maintenance of Control Centre link equipment	£34,028	£34,709	£681	2.00%	Contractual inflationary increase.
Older Persons Service Charge	£157,450	£161,544	£4,094	2.60%	2.8% RPI increase, which increases average weekly charge from £3.09 to £3.17
Administration fee	£53,300	£52,950	-£350	0%	15% of chargeable services
Total Services	£559,393	£561,871	£2,478	0.44%	

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2020-21 Council Budget Consultation - Housing Revenue Account: Interim report

This report was created on Wednesday 22 January 2020 at 09:42.

The consultation had not yet closed when this report was generated. As such, this report may not accurately reflect the final distribution of responses, and should be treated as interim only.

Contents

Question 1: Do you live in a property owned by NWLDC?	1
Do you live in a property owned by the Council?	1
Question 2: We are planning to increase the rents we charge by 2.7%.	2
How supportive are you of this increase?	2
What comments would you like to make about the proposed rent increases?3. What comments would you like to make about the proposed rent increases?	2
Question 3: Some tenants pay for particular services we provide that are only relevant to them, known as service charges.	2
How supportive are you of these changes?	2
What comments would you like to make about the proposed changes to service charges? (If you would like to comment on a particular charge, please clearly note which charge you are referring to).	3
Question 4: We also charge for a number of optional services we provide, which are listed in the table below.	3
How supportive are you of this increase?	3
What comments would you like to make about the proposed changes to our optional charges?	3
Question 5: Overall, we expect to spend £15.5 million in 2020-21 on our day to day activities.	3
How supportive are you of these service developments?	3
What comments would you like to make about on these service developments? (If you would like to comment on a particular service development, please clearly note which element you are referring to).	4
Question 6: In 2020-21 we plan to spend £10.8 million on large projects, such as new houses or major upgrades to our existing houses.	4
How supportive are you this proposal?	4
What comments would you like to make about our plans to build new council homes?	4
How supportive are you this proposal?	4
What comments would you like to make about our plans to improve our existing homes?	5
How supportive are you this proposal?	5
Do you have any suggestions for what this pilot project should involve?	5
How supportive are you of this expenditure?	5
What comments would you like to make about our spending plans? (If you would like to comment on a particular element of 6 our spending, please clearly note which element you are referring to).	6

Question 1: Do you live in a property owned by NWLDC?

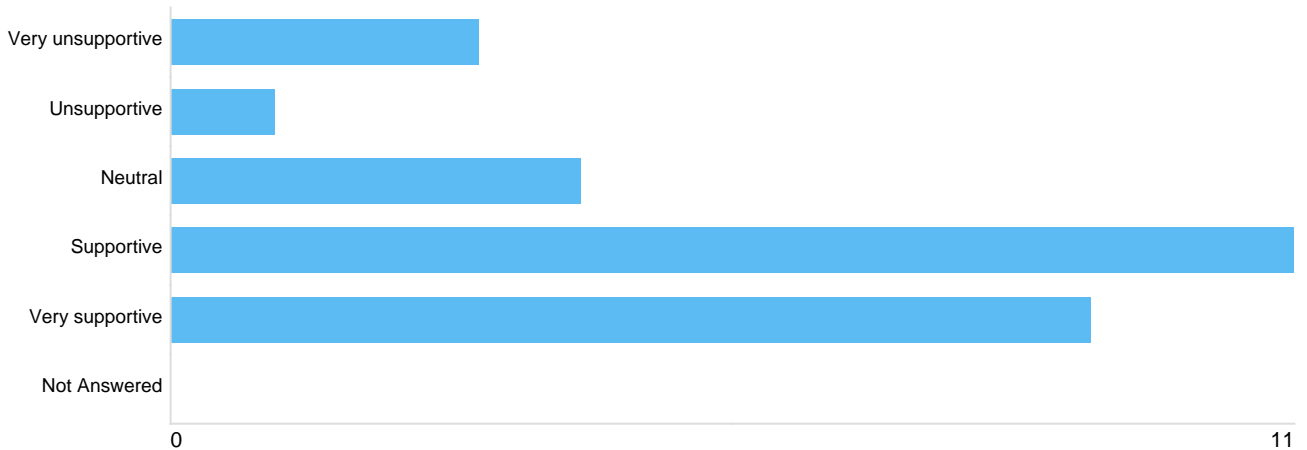
Do you live in a property owned by the Council?



Option	Total	Percent
Yes	6	21.43%
No	22	78.57%
Don't know	0	0%
Not Answered	0	0%

Question 2: We are planning to increase the rents we charge by 2.7%.

How supportive are you of this increase?



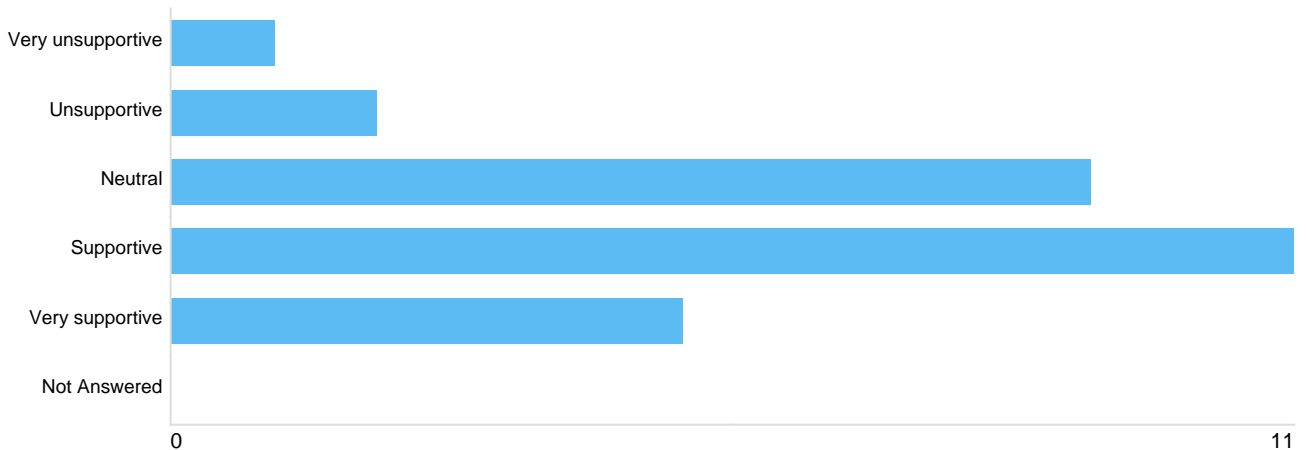
Option	Total	Percent
Very unsupportive	3	10.71%
Unsupportive	1	3.57%
Neutral	4	14.29%
Supportive	11	39.29%
Very supportive	9	32.14%
Not Answered	0	0%

What comments would you like to make about the proposed rent increases? 3. What comments would you like to make about the proposed rent increases?

There were **10** responses to this part of the question.

Question 3: Some tenants pay for particular services we provide that are only relevant to them, known as service charges.

How supportive are you of these changes?



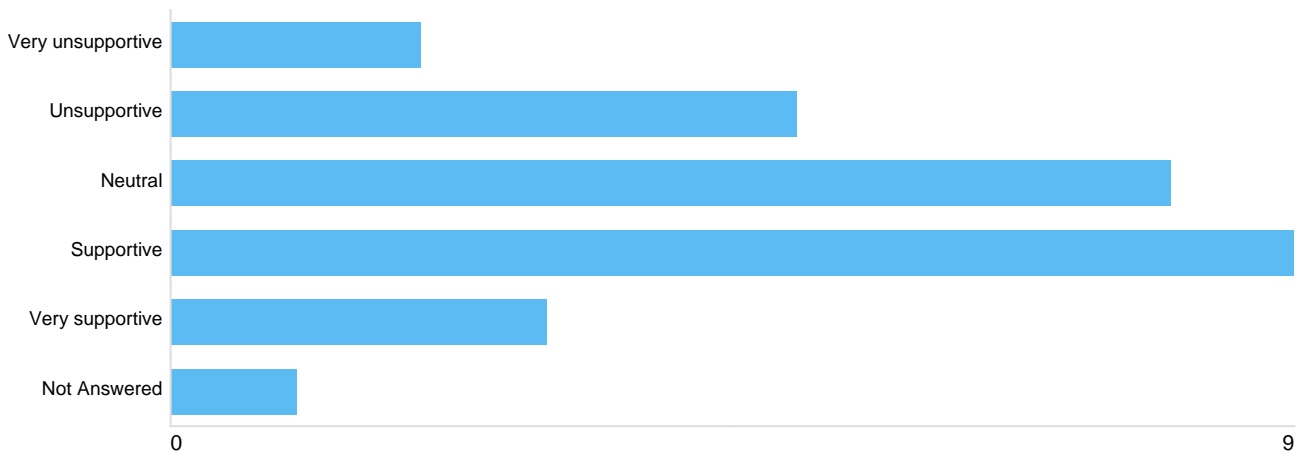
Option	Total	Percent
Very unsupportive	1	3.57%
Unsupportive	2	7.14%
Neutral	9	32.14%
Supportive	11	39.29%
Very supportive	5	17.86%
Not Answered	0	0%

What comments would you like to make about the proposed changes to service charges? (If you would like to comment on a particular charge, please clearly note which charge you are referring to).

There were **10** responses to this part of the question.

Question 4: We also charge for a number of optional services we provide, which are listed in the table below.

How supportive are you of this increase?



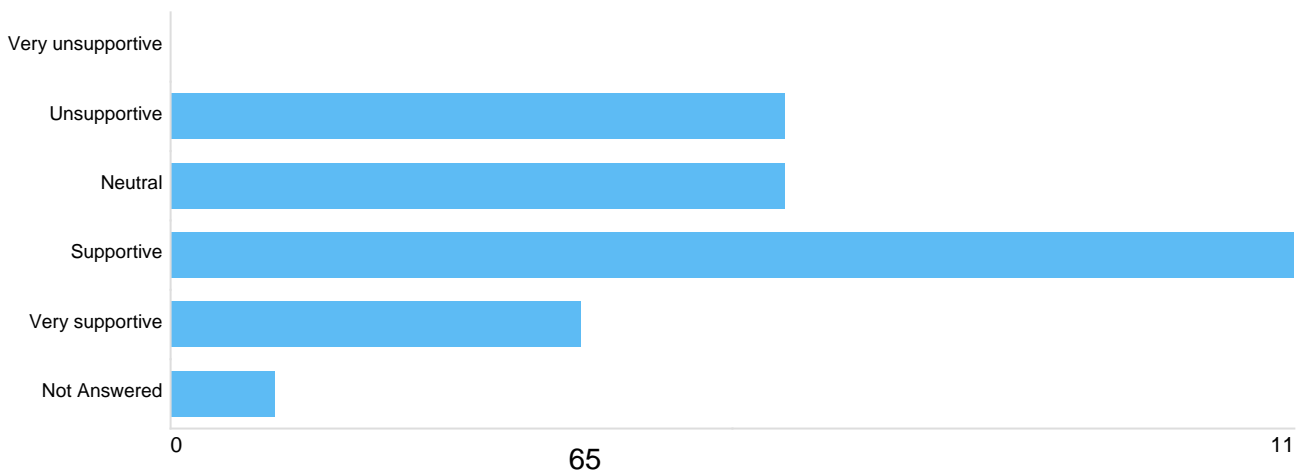
Option	Total	Percent
Very unsupportive	2	7.14%
Unsupportive	5	17.86%
Neutral	8	28.57%
Supportive	9	32.14%
Very supportive	3	10.71%
Not Answered	1	3.57%

What comments would you like to make about the proposed changes to our optional charges?

There were **9** responses to this part of the question.

Question 5: Overall, we expect to spend £15.5 million in 2020-21 on our day to day activities.

How supportive are you of these service developments?



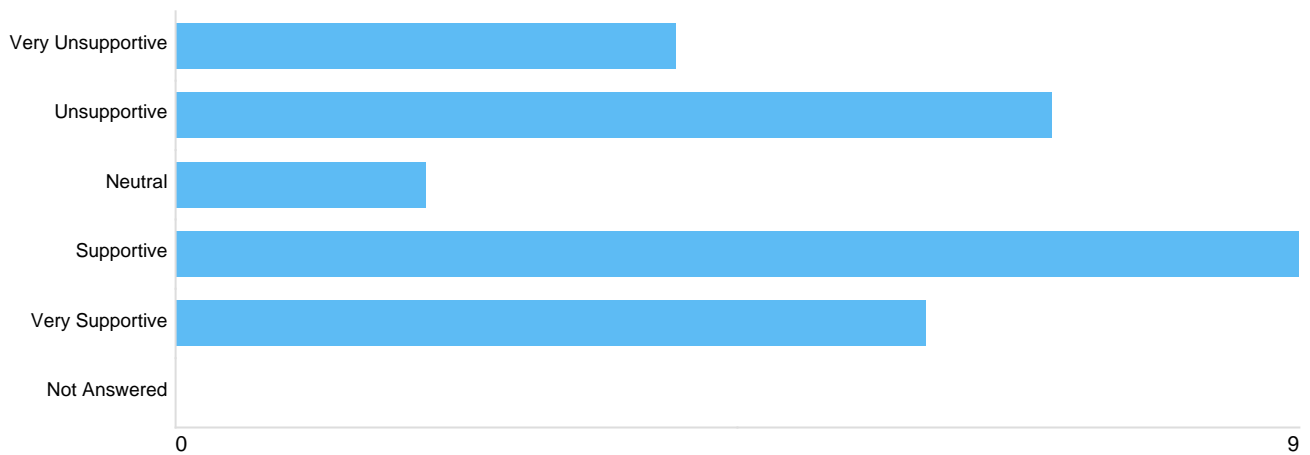
Option	Total	Percent
Very unsupportive	0	0%
Unsupportive	6	21.43%
Neutral	6	21.43%
Supportive	11	39.29%
Very supportive	4	14.29%
Not Answered	1	3.57%

What comments would you like to make about on these service developments? (If you would like to comment on a particular service development, please clearly note which element you are referring to).

There were 5 responses to this part of the question.

Question 6: In 2020-21 we plan to spend £10.8 million on large projects, such as new houses or major upgrades to our existing houses.

How supportive are you this proposal?

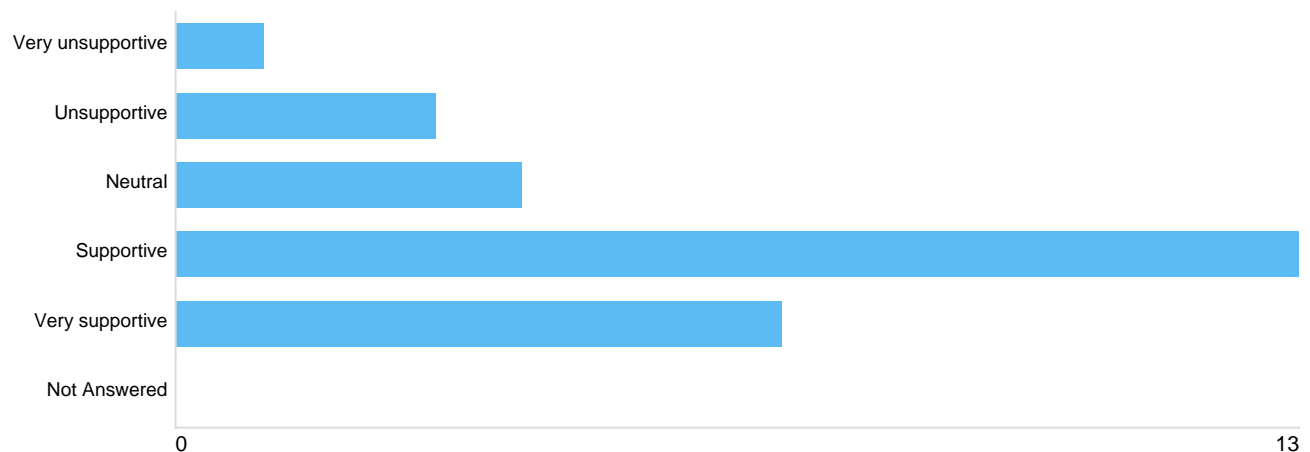


Option	Total	Percent
Very Unsupportive	4	14.29%
Unsupportive	7	25.00%
Neutral	2	7.14%
Supportive	9	32.14%
Very Supportive	6	21.43%
Not Answered	0	0%

What comments would you like to make about our plans to build new council homes?

There were 18 responses to this part of the question.

How supportive are you this proposal?

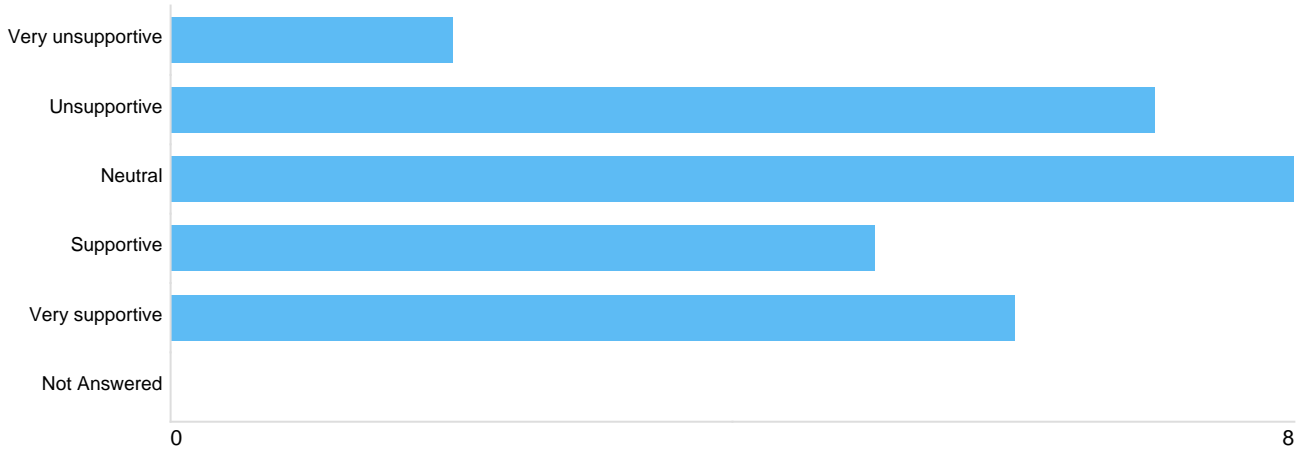


Option	Total	Percent
Very unsupportive	1	3.57%
Unsupportive	3	10.71%
Neutral	4	14.29%
Supportive	13	46.43%
Very supportive	7	25.00%
Not Answered	0	0%

What comments would you like to make about our plans to improve our existing homes?

There were 11 responses to this part of the question.

How supportive are you this proposal?

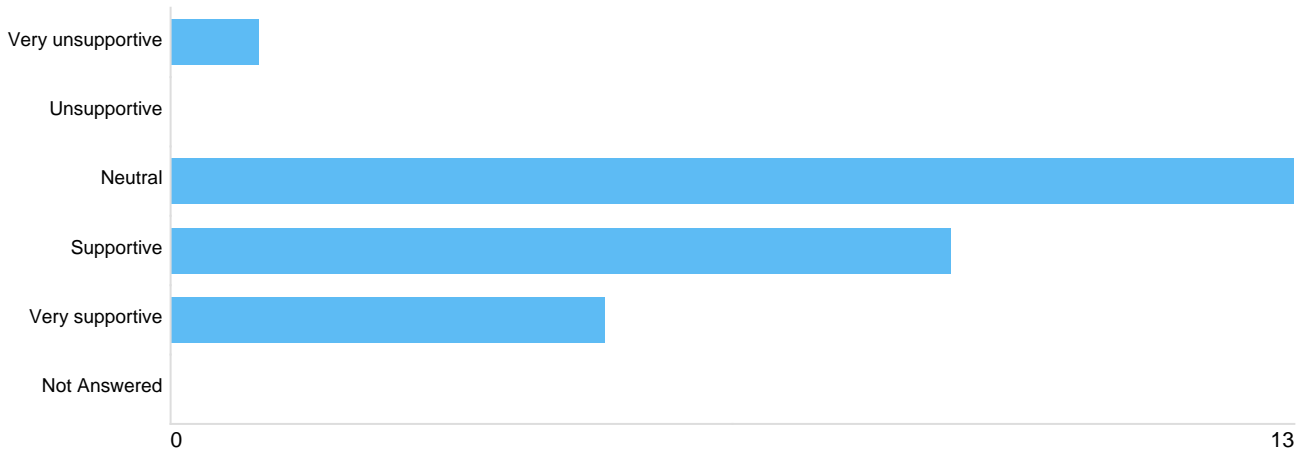


Option	Total	Percent
Very unsupportive	2	7.14%
Unsupportive	7	25.00%
Neutral	8	28.57%
Supportive	5	17.86%
Very supportive	6	21.43%
Not Answered	0	0%

Do you have any suggestions for what this pilot project should involve?

There were 12 responses to this part of the question.

How supportive are you of this expenditure?



Option	Total	Percent
Very unsupportive	1	3.57%
Unsupportive	0	0%
Neutral	13	46.43%
Supportive	9	32.14%
Very supportive	5	17.86%
Not Answered	0	0%

What comments would you like to make about our spending plans? (If you would like to comment on a particular element of our spending, please clearly note which element you are referring to).

There were **2** responses to this part of the question.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	2020/21 - 2024/25 CAPITAL PROGRAMMES AND 2020/21 CAPITAL STRATEGY	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Committee Minutes – 7 November 2019 Draft Capital Programme – Cabinet 10 December 2019 Corporate Scrutiny Committee Draft Minutes – 8 January 2020	Public Report: Yes
		Key Decision: Yes
Financial Implications	The General Fund Capital Programme for 2020/21 is £12.9m. The majority of the new investment (£1.3m) in 2020/21 is the redevelopment of Appleby Magna Caravan Park (£435k), the bridge works for the new Coalville Leisure Centre (£400k) and property services (£307k).	
	The Draft Housing Revenue Account Capital Programme for 2020/21 is £10.2m. The two main schemes are the Home Improvement Programme and the New Supply programme. Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	<p>To advise Members of the likely Capital Outturn and the relevant financing for 2019/20 for the General Fund and the Housing Revenue Account.</p> <p>To seek approval to the General Fund and HRA Capital Programmes for 2020/21 and to note indications for future years and associated funding.</p>	
Reason for Decision	To enable projects to be included in the Programmes for approval at Council.	

Recommendations	<p>1) THAT COUNCIL BE RECOMMENDED TO APPROVE THE 2020/21 CAPITAL STRATEGY INCLUDED IN APPENDIX A, IN LINE WITH THE PRUDENTIAL CODE.</p> <p>2) THAT THE ESTIMATED GENERAL FUND AND HRA CAPITAL OUTTURN FOR 2019/20 AND PLANNED FINANCING BE NOTED AT APPENDICES B AND C</p> <p>3) THAT COUNCIL BE RECOMMENDED TO APPROVE THE CAPITAL PROGRAMMES IN 2020/21 DETAILED IN:</p> <ul style="list-style-type: none">• APPENDIX B – GENERAL FUND CAPITAL SCHEMES• APPENDIX C – HRA CAPITAL SCHEMES <p>AND IN 2021/22, THESE SCHEMES ONLY:</p> <ul style="list-style-type: none">• £865,000 FOR THE VEHICLE REPLACEMENTS AS DETAILED IN PARAGRAPHS 3.9 <p>4) THAT CABINET NOTES THE PROPOSED PROCUREMENT ROUTES IN RESPECT OF VEHICLES, EQUIPMENT AND PLANT AND DELEGATES THE AUTHORITY TO AWARD THESE CONTRACTS AND ANY ASSOCIATED AGREEMENTS TO THE STRATEGIC DIRECTOR IN CONSULTATION WITH THE PORTFOLIO HOLDER, SUBJECT TO FINAL APPROVAL OF THE CAPITAL PROGRAMMES IN FEBRUARY 2020.</p>
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1.0 INTRODUCTION

- 1.1 Cabinet considered the draft capital programmes report on 10 December 2019. This was followed by a report to the Corporate Scrutiny Committee on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report.
- 1.2 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 at the same meeting as this report.
- 1.3 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 2020/21.
- 1.4 Appendix B shows the General Fund Programme estimated outturn for 2019/20 and the proposed Capital Programme for 2020/21 to 2024/25.
- 1.5 There is no Special Expense capital expenditure estimated for 2020/21.
- 1.6 Appendix C shows the H.R.A. Programme estimated outturn for 2020/21 and the proposed Capital Programme for 2021/22 to 2024/25.
- 1.7 There have been four adjustments to the Capital Programme since the previous report to Cabinet on 10 December 2019 and Corporate Scrutiny Committee on 8 January 2020. These changes have been incorporated to present the most current position.

General Fund:

- a) A new proposal of £115k to provide off street electric charging points and infrastructure within the district to meet demand. This will be funded by a revenue contribution to capital.
- b) An additional £63k (£366k over the five years) in the fleet programme for electrifying a number of the fleet vehicles.

HRA:

- c) The New Supply budget has fallen by £0.7 million to £3.8 million in 2020/21. This is because viability checks have ruled out a planned site for 6 homes in Measham. This has reduced the five year New Supply budget from £25.4m to £24.5m.
 - d) The off street parking budget has increased by £50k in each of the three years of the current programme, following discussion at both Cabinet and Corporate Scrutiny Committee.
- 1.8 Due to the need to replace purpose-built fleet in future years, a specific recommendation is included for Cabinet to delegate authority to the Strategic Director in consultation with the relevant Portfolio Holder to award these contracts in 2020/21 for vehicle requirements in 2021/22. This recommendation ensures that services are able to make decisions regarding fleet in 2020/21 in order to allow a suitable lead-in period from order to delivery in April 2021.

2.0 CAPITAL STRATEGY

- 2.1 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.
- 2.2 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.
- 2.3 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 Medium Term Financial Strategy. This strategy supports the Council's wider strategic framework, including the council's Commercial Strategy.
- 2.4 The strategy provides governance arrangements for capital including monitoring of schemes, budget profiling, deliverability and value for money. A copy of the Capital Strategy is attached as Appendix A.

2.5 GENERAL FUND - ESTIMATED OUTTURN 2019/20

- 2.6 The projected outturn for 2019/20 on General Fund schemes total £4.92m. This is a decrease in the year of £7.79m, against the original budget of £12.7m.
- 2.7 This managed decrease is caused by the following:

	£	£
Original Budget 2019/20		12,708,590
Approved Schemes carried forward from 2018/19 and 2019/20 approved virements		
Finance System Review	100,000	
District Car Park - LED Lighting Replacement	25,000	
Linden Way Depot – Welfare Facilities	95,250	
Moira Furnace – Masonry, Drainage, Upgrades, Bridge works	170,000	
Council Offices – Fire Alarm and COTAG Door System	104,750	
Council Offices – Lift Works	30,000	
Memorial Clock Tower	13,012	
Marlborough Square	1,743,286	
New Market Provision	291,790	
Wi-Fi Scheme (IT)	66,029	
Disabled Facility Grants	74,114	
Refuse Vehicles and Refuse Kerbsider (reduced carry forward)	(153,960)	
LAN Switches (transferred to revenue)	(15,500)	
Total (increase to 2019/20 budget)		2,543,771
Less in year underspends		
Council Offices – Lift work	(106,168)	
Council Offices (Stenson House) Replacement windows	(16,595)	
Memorial Clock Tower	(6,162)	
Whitwick Business Centre - Replace Lighting with LED	(369)	
Total (reduction to 2019/20 budget)		(129,294)
Less Planned Slippage in 2019/20 carried forward to 2020/21		

New Leisure Centre, Coalville - £7.3m to be carried forward to future years. Construction work is scheduled to commence on site from July 2020. Bridge and access works will start from February 2020. The overall project completion is now programmed for March 2022 (from August 2021). Additional funding to cover the cost of installation of the bridge required to access the site from the A511 has been included at £400k. The revised projected expenditure cash flow is:- Year 1 2019/20 £1,699,088 Year 2 2020/21 £13,356,000 Year 3 2021/22 £8,516,912	(7,296,912)	
Moira Furnace - Masonry, Drainage, Upgrades, Bridge works	(280,000)	
Council Offices – Replace obsolete parts to consumer units	(75,000)	
Council Offices – Replacement LED Lighting Stenson/Main build	(35,000)	
Council Offices – Insulate roof space to building	(30,000)	
Council Offices – Main Building upgrades of walkways, glazing	(250,000)	
Council Offices – (Stenson House) external works to roadway	(48,750)	
District Car Parks – LED Lighting Replacement	(25,000)	
Marlborough Square	(1,673,000)	
Salt Bay Cover - other	(20,000)	
Finance System review	(100,000)	
Vans – Medium	(180,000)	
Vans - Box Lorry	(65,000)	
Appleby Magna Caravan Site	(124,178)	
Total (decrease to 2019/20 budget)		(10,202,840)
Indicative Outturn 2019/2020		4,920,227

2.8 The total planned financing of the General Fund expenditure totalling £4.92m for 2019/20 is broken down in the table below:-

	£
Disabled Facilities Grant	670,314
S106 Contributions	831,000
Revenue Contributions to Capital	28,440
Capital Receipts	34,037
Other Reserves	574,486
Grants	26,850
Unsupported Borrowing – Internal	2,755,100
Total	4,920,227

2.9 The 'Schemes Carried Forward' shown in paragraph 2.7 above, represent expenditure which was originally expected and budgeted for in 2018/19 but slipped into 2019/20. The budgeted financing has also been carried forward.

2.10 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME – ESTIMATED OUTTURN 2019/20

2.11 The projected outturn for the Housing Revenue Account is £7.8m against a budget of £13.1m, a decrease of £5.3m. More detail is provided in the table below.

	£	£
Original Budget 2019/20		13,109,559
Less forecast slippage in 2019/20 carried forward to 2020/21		
New Supply	(1,551,000)	
This will be used to provide flexibility to purchase affordable homes and land when opportunities are identified during the year, and is in addition to the 2020/21 planned New Supply budget.		
Mobility Scooter Stores	(108,526)	
Off Street Parking	(212,500)	
Fire Risk Assessment Remedial Works	(400,000)	
Supported Housing Improvements	(300,000)	
Garage demolition and replacement	(5,270)	
		(2,577,296)
Forecast over or (under) spends in 2019/20 that will not be carried forward		
New Supply	(1,977,909)	
The new supply programme has been rebased in the 2020/21 budget, so there is no need to carry forward these underspends.		
Home Improvement Programme	(478,106)	
Footpaths and unadopted roads	(107,500)	
Handrail replacement	(14,000)	
Fire Risk Assessment Remedial Works	(22,000)	
Renewable Energy Installation Programme	66,220	
Property Demolition	(195,400)	
Capital works - voids	(46,000)	
Professional Fees	(70,000)	
New Housing Systems	127,542	
Capitalised salaries	4,290	
		(2,712,863)
Total (decrease to 2019/20 budget)		(5,290,159)
Indicative HRA Capital Outturn 2019/2020		7,819,400

- 2.12 The revised funding for the HRA Capital programme for 2019/20 is detailed in the table below. Where budgets are slipping into next year, the funding is also going with them.

	£
Use of Major Repairs Reserve	2,900,000
Right to Buy 'One for One' receipts	308,100
Other right to buy receipts	318,900
Section 106 Affordable Housing commuted sums	278,000
Revenue Contribution to Capital Outlay (RCCO)	1,700,000
Other usable capital balances	2,314,400
Total Resources used in 2020/21	7,819,400
Retained for future years	7,785,060

3.0 GENERAL FUND CAPITAL PROGRAMME 2020/21 TO 2024/25

- 3.1 The General Fund capital programme for 2020/21 to 2024/25 is detailed in Appendix B. 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 2019/20 and carried forward to 2020/21 are detailed in the table in paragraph 2.7 above.
- 3.3 New schemes for 2020/21 (detailed in the tables below) are included in the capital programme for approval. The total funding requirement for the new schemes is £1.3m. The majority of the new investment is the redevelopment of Appleby Magna Caravan Park and the new Leisure Centre Coalville bridge work.
- 3.4 New Schemes for consideration for 2020/21 and future years**
- 3.5 Property assets have been condition surveyed during 2019/20, and a new Planned Preventative Maintenance (PPM) programme has been developed as a result. With the following schemes being identified in 2020/21 through to 2025:-

New Schemes identified for Property Services 2020/2021	£
Renew the garage roof at the Coalville Park. The works will include a complete replacement of the garage roof by removal of all asbestos sheeting	50,000
The Courtyard to renew the metal rain water goods, front door (unit 16) and renewal of all existing rain water goods include downpipe	25,000
Upgrade the CCTV link between the Whitwick Business Centre and the Council Offices	10,000
Resurfacing and relining of the car park at Market Street Industrial units	12,000
Ashby Town Halls Mews on installing parking bollards, resurfacing and relining	15,000
Car Park - High Street, Ibstock - Remove and Renew Gullies	35,000
Market Hall – demolish and make good	75,000
Coalville - Cemetery - provision of an inclusive toilet	25,000
UPS/Generator related (reconfiguring electric distribution)	60,000
Total 2020/21	307,000
New Schemes identified for Property Services (future years)	
Clock Tower - Upgrade of Lighting Scheme (phase 2)	30,000
Cropston Drive - External and Internal Renovation of Changing Rooms	20,000
Council Offices refurbishment	3,740,000
Total (future years)	3,790,000

New Schemes for IT 2020/21	£
The council has approximately 125 old 19" monitors which are over 6 years old. These screens are at the end of their useful life. They do not support higher resolutions which are required by modern day applications.	18,000
An upgrade to the next generation Sophos firewall to provide improved security and defence for the organisation. These firewalls provide more advanced cyber and threat protection and is able to detect and mitigate threats out in the wild, without knowing about them. A further £70k has been provided in 2023/24.	12,000
Replacement laptops. A five year programme to replace old laptops that are slow, out of support and more than five years old. This will provide higher performance laptops for staff, which are supported and able to run modern day applications. Over the 5 year programme, the laptop replacement programme will require a further investment of £165k.	25,000
WAN and DC Renewal (Wide Area network and Data Centre)	60,000
Total 2020/21	115,000
Further New IT Schemes (future years)	

The Council is currently undertaking procurement for a new telephony system in the current financial year 2019/20 (£130k), to cover the next 5 years. After 5 years the council we would need to look at either renewing the support and maintenance again or look at procuring a new telephony system. The Council has provided funds in 2024/25 for a new system.	140,000
Professional Services for Windows 2008 is being completed in the current financial year 2019/20 (£45k). In 2024/2025 the council we need to upgrade from Windows Server 2012 to Windows 2016. The Council has provided funds in 2024/25.	45,000
Total (future years)	185,000

Other Schemes 2020/21	£
The Council plans to invest £15k in new technology for driver identification. The purchase of driver identification key fobs for all drivers in waste so that the council can remotely identify who is driving the vehicle and to be able to download tachograph card information to comply with legislation.	15,000
Recycling Trolleys. The Council intends to enable a second pilot in relation to the recycling containers used to look at an alternative option.	10,000
The Council plans to invest a further £435k in Appleby Magna Caravan Park, in addition to the £175k already included within the capital programme for 2020/21. This includes planning to redesign the site to allow space to be freed up to enable redevelopment.	435,000
The Council is requesting a further £400k to support the total cost for the design and build of the bridge at the new Leisure Centre Coalville.	400,000
The Council plans to invest £115k to install 24 electric off street charging points across the district.	115,000
Total 2020/21	975,000

3.6 **Fleet Replacement Programme**

3.7 Fleet replacement is a rolling programme. Each year a number of vehicles come to the end of their useful economic life when each of the vehicles are reviewed based on the 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. 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 required in April a commitment has to be made in the previous year.

Due to service requirements, approval will be sought at Council in February to amend the previously reported 2020/21 fleet budget from £1.1m to £1m, a net reduction of £143k.

3.8 The total fleet budget for 2020/21 is now as follows:

Vehicles / Plant & Equipment	Original Budget £	Revised Budget £
Refuse/Recycling Vehicles	660,000	660,000
Market Vehicles	24,000	30,000
Vans - Small	16,000	0
Vans - Medium - Housing	180,000	240,000
Vans – Box Lorry	130,000	0
Sweepers	130,000	130,000
Mowing	10,000	10,000
TOTAL	1,150,000	1,070,000

3.9 In order to progress with the 2021/22 purchases, approval is sought for the following vehicles:

Vehicles / Plant & Equipment	Budget £
1x Refuse / Recycling Vehicles	220,000
3 x Market Vehicles / Cars	90,000
2 x Vans Small	45,000
2 x Vans Medium - Housing	32,000
2 x Vans – Pickup	100,000
Sweepers	180,000
2 x Digger/Misc Plant	130,000
3 x Mowing	68,000
Total	865,000

3.10 Disabled Facilities Grants

3.11 The Disabled Facilities Grant is a capital grant paid to local authorities that can meet, or contribute towards the costs of adapting a person's home. This can help eligible people to stay in their homes for longer and live safer, healthier and more independent lives. It is proposed to continue with the Disabled Facilities Grant function that has been delegated to the lead authority (Blaby District Council) under the Lightbulb Project Scheme. As this is a rolling programme, the scheme has been updated to include 2024/25 and amounts revised based on the forecast grant to be received.

3.12 General Fund Capital Programme (2020/21) Funding

3.13 The General Fund Capital Programme (2020/21) will be funded by:

Funding Stream	£
Disabled Facilities Grants	670,310
S106 Contributions	-
Revenue Contribution to Capital	115,000
Reserves	-
Grants	-
Capital Receipt	3,000,000
Unsupported Borrowing - Internal	9,135,000
Total (including carry forward from 19/20)	12,920,310

4.0 SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

4.1 There was no special expenses capital schemes for 2019/20.

4.2 There are no new schemes identified to commence in 2020/21.

5.0 HRA CAPITAL PROGRAMME – 2020/21 - 2024/25 INDIVIDUAL SCHEMES

5.1 The HRA Capital programme (Appendix C) covers in detail the capital schemes for the period 2020/21 to 2024/25 and how they are funded. The total expected spend over 5 years is £56.7m, with a £10.2m budget for 2020/21.

5.2 The HRA Capital Programme for 2020/21 2020/21 and onwards consists mainly of:

5.2.1 New Supply Programme

Our new supply programme provides provision for building and purchasing properties to rent out at affordable rent levels. This year we have produced an indicative five year budget totalling £24.5m. For 2020/21 that comprises a total budget of £3.8m, which will complete 8 properties already being built on Cropston.

Drive, Coalville, and start another 34 properties on sites in Whitwick, Measham and Moira. This programme is dependent on confirming viability on these sites and gaining planning permission.

Our primary funding source for this will be retained right to buy receipts. We only have 3 years in which to spend these receipts or we have to return them to central government, with a punitive interest charge of the Bank of England base rate plus 4%. Other sources include commuted sums and revenue contribution to capital outlays, and funding is based on the requirements of each site.

5.2.2 Home Improvement Programme (HIP)

The Council brought all of its homes up to the Decent Homes standard in 2014/15 and now need to continue a programme of work to ensure that our homes remain at this quality standard. In 2020/21 we are budgeting spending £3.9m on home improvements, which includes replacing kitchens, bathrooms, heating systems and roofs in some of our properties.

The Home Improvement Programme for the remaining 4 year period will see an investment of £16.2m in improving tenants' homes, bring the total 5 year figure up to £20.1m.

5.2.3 New Regeneration Pilot

Officers have worked with the administration to set aside £250k to regenerate one of our estates. We will seek the communities input, and aim to improve the aesthetics of the estate and promote the council's wider corporate priorities, such as creating safe, healthy and connected communities. We are still looking into the most appropriate area to pilot this project, with a view to completing more regeneration work in the future based on the outcome of the pilot.

5.2.4 Other Schemes / Miscellaneous

There are various other schemes with a total budgeted expenditure of £2.2m. This comprises our more routine capital expenditure, such as work on properties when they become empty (£350k), major aids and adaptations on properties (£300k), work to improve fire safety (£125k) and capitalised salaries (£614k).

There are also other one-off expenditure programmes, such other estate improvement works, totalling £520k. This includes £250k for off street car parking.

6.0 CAPITAL RESOURCES

General Fund

6.1 The resources estimated to be needed to finance the General Fund programme 2020/21 to 2024/25 totals £36,872,962 and is as follows:

	£
2020/21	12,920,310
2021/22	8,104,310
2022/23	2,062,310
2023/24	2,079,310
2024/25	2,315,310
Total	27,481,550

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

6.3 Funding is in place in 2020/21 for the Disabled Facilities Grants Scheme £670k.

- 6.4 There will be a Revenue Contribution to Capital to fund the electric off street charging points of £115k.
- 6.5 A capital receipt of £3m has been identified for the Leisure Centre Project.
- 6.6 The remaining schemes for 2020/21 (£21m) can be funded by either unsupported borrowing or leasing depending on value for money and for which, provision has been made in the 2020/21 Revenue Budget. Currently the council's default position is to fund through unsupported borrowing unless there are financial benefits to the council to lease.

Housing Revenue Account

- 6.7 Appendix C provides detail on how the five year **Housing Revenue Account capital programme** will be funded. In 2020/21, the funding streams are:

	£
Use of Major Repairs Reserve	3,869,611
Right to Buy 'One for One' receipts	907,342
Other right to buy receipts	2,928,937
Proceeds for asset disposals	1,068,950
Section 106 Affordable Housing commuted sums	255,018
Revenue Contribution to Capital Outlay (RCCO)	934,000
Other usable capital balances	200,000
Total Resources used in 2020/21	10,163,858
Retained for future years	6,763,994

- 6.8 The amount retained for future years comprises £0.8m remaining within the major repairs reserve and £5.9m funding for our New Supply Programme, which includes right to buy one for one receipts and our matched contribution.

7.0 PROCUREMENT ROUTES

- 7.1 Where the authority is required to enter into a contract which has a value of more than £250,000 in total, more than £100,000 in any one contract year or more than five years long, Cabinet authority is required 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.
- 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 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 **Corporate Scrutiny**

8.2 The Corporate Scrutiny Committee met on 8 January 2020 to review all the proposed budgets for 2020/21. A link to the draft minutes have been included as a background paper on page one of this report.

8.3 The Committee discussed increasing the size of the off-street parking provision in relation to the HRA Capital Programme. Following the meeting the size of the off-street parking programme has been increased by £50,000 to £250,000 for 2020/21 in this budget. We are continuing to develop our off-street parking programme to meet the ambition of members and have recently procured a 7 year contract to deliver up to £2 million of off-street parking. Given the interest in this programme, we propose taking a dedicated report on this topic to scrutiny in quarter one of the new financial year.

8.4 The committee also raised a number of points linked to the need to reduce our carbon emissions. This included installing electric charging points in new off-street parking sites on council estates and changing street lights for more efficient LEDs. Officers are still looking at how best to respond to the climate emergency, and these ideas will be considered as part of that review.

8.5 **Performance and Finance Working Group (HRA)**

8.6 We have also consulted on the HRA Capital Programme with the Performance and Finance Working Group, which is a group of tenants who regularly review the financial position of the Housing Revenue Account and the associated capital programmes. Their comments are summarised below:

- They supported the focus on New Supply and noted that we should be considering how the homes are built, given the need to become carbon neutral by 2030. This is something officers are looking at as part of our work to review our carbon footprint.
- They welcomed the regeneration pilot, but thought our larger estates would need a lot more funding to improve them. They also noted that the behaviour of individuals can adversely impact the feel of an area, so they recommended that we consider ways we can improve this as well as the physical space. We will consider these views as we develop the pilot.

8.7 **Trade Unions**

8.8 Trade Unions have been provided with a copy of the budget reports and given the opportunity to provide feedback. No comments have been received at the time of writing the report. Any responses received will be provided to Cabinet in a supplementary paper or a verbal update at the meeting.

8.9 **Enhanced Public Consultation**

8.10 An online consultation commenced on 13 January and closed on 3 February. The surveys asks respondents to rate how supportive they are to budget proposals from “very supportive” to “very unsupportive”, and provides an opportunity to add comments. We are also running a large scale social media campaign to publicise the consultation. At the time of writing this report, we have received 112 responses for the general fund and 20 for the housing revenue account.

8.11 A full list of responses are appended to the General Fund and Special Expenses Budget Proposals Report and Housing Revenue Account (HRA) Budget Proposals on the same agenda as this report. A summary of the responses received by 22 January in relation to the capital proposals is provided in the table below and updated information will be provided as a supplementary paper at the meeting.

Responses to the General Fund Capital Plans

8.12 Of the 112 responses that we have received so far, 111 indicated that they are a resident of North West Leicestershire. The table below shows a summary of the responses received. The overall view of the General Fund Capital Plans is mixed with similar numbers of responses being supportive and unsupportive. The Appleby Magna Caravan Site and Leisure Centre generated a number of negative comments. The plans to demolish the Market Hall generated the most comments.

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
Capital Expenditure plans	42 (38%)	29 (26%)	41 (37%)	<ul style="list-style-type: none"> • 45 residents left detailed comments on our capital expenditure plans. • 15 left negative comments on the investment in Appleby Magna Caravan. • There were 11 negative comments relating to the new leisure centre and one positive one. • The plans to demolish the existing market hall generated 22 comments. Most were expressing their views on what to do with the site, with common suggestions being bars, a cinema or a train station. Using the site for housing was unpopular. Five felt we should not be demolishing the hall before we decide what to do with it.

Responses to the Housing Revenue Account Capital Plans

8.13 Of the 28 responses we have had so far 6 live in one of our properties. The table below provides a summary of the responses received, and we have reported the overall response and the response from our tenants. The overall view of the Housing Revenue Account Capital Plans is positive at the moment, with more respondents being supportive of our plans than unsupportive. The area that has least support is the estate regeneration pilot.

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
On our plans to build and purchase new homes	15 (54%) amongst all respondents	2 (7%) amongst all respondents	11 (39%) amongst all respondents	<ul style="list-style-type: none"> • Those supportive commented that the new properties should be of a good size and in the correct area. • Those unsupportive
	4 (67%) amongst our residents	1 (17%) amongst our	1 (17%) amongst our residents	

		residents		<p>raised concerns with the amount of development in NWL and the infrastructures ability to cope with additional houses.</p> <ul style="list-style-type: none"> • There was also some concern over the cost of building new homes.
On our plans to improve our existing homes	<p>20 (71%) amongst all respondents</p> <p>5 (83%) amongst our residents</p>	<p>4 (14%) amongst all respondents</p> <p>1 (17%) amongst our residents</p>	<p>4 (14%) amongst all respondents</p> <p>0 (0%) amongst our residents</p>	<ul style="list-style-type: none"> • Comments from those supportive of the plans suggested particular things we should look replacing, such as old double glazing. • Comments from those unsupported include suggesting that tenants should pay for this in addition to their rents
On our plans for a pilot to regenerate one of our estates	<p>11 (39%) amongst all respondents</p> <p>2 (33%) amongst our residents</p>	<p>8 (29%) amongst all respondents</p> <p>2 (33%) amongst our residents</p>	<p>9 (32%) amongst all respondents</p> <p>2 (33%) amongst our residents</p>	<ul style="list-style-type: none"> • Suggestions from supportive respondents include landscaping, removing alleyways and derelict buildings, planting trees and installing off street parking. • Comments from those unresponsive question the cost of the pilot, the need to tackle anti-social behaviour and for community buy-in and ownership.
Other HRA Capital programme works	<p>14 (50%) amongst all respondents</p> <p>3 (50%) amongst our residents</p>	<p>13 (46%) amongst all respondents</p> <p>3 (50%) amongst our residents</p>	<p>1 (4%) amongst all respondents</p> <p>0 (0%) amongst our residents</p>	<ul style="list-style-type: none"> • One respondent questioned how off street parking will be enforced.

8.14 The overall consultation will remain open until Cabinet meet on 4 February 2020 with views being sought from the public, tenants, businesses and staff. Any additional comments from these sources will be fed back to Cabinet during the meeting on 4 February 2020.

Policies and other considerations, as appropriate	
Council Priorities:	The projects in the Capital Programmes help the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	An equalities impact assessment will be undertaken by the relevant manager before the commencement of each individual project.
Customer Impact:	Council tenants will be impacted by council home improvements. Residents will benefit from improved leisure facilities within the district and other improved assets.
Economic and Social Impact:	None
Environment and Climate Change:	None at this time. At the time of writing this report, officers continue to consider the cost and resource implications of how the Council can achieve carbon neutrality by 2030. Any additional costs of incorporating lower carbon measures on the General Fund will be funded via the Climate Change Reserve or through additional revenue contribution to capital outlay on the HRA.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 8 January 2020 Public Consultation between the 13 January and 3 February 2020, including draft budget changes being made publicly available via the Council's website for wider public consultation.
Risks:	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Officer Contact	Tracy Bingham 01530 454701 tracy.bingham@nwleicestershire.gov.uk

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Capital Strategy

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 purpose of the Capital Strategy is intended to perform a number of functions;
- Maximise capital resources to fund corporate and community priorities, strategies and plans.
 - Support effective and timely investment in the Council's assets, to ensure they are efficiently and effectively used.
 - Prioritising the Council's own investment requirements, and determining which can be funded by the authority, how and when.
 - Enable the identification and optimisation of all sources of capital funding and ensure its effective utilisation.
 - A capital programme that is financially affordable, prudent and sustainable, and integrated with the Council's Medium Term Financial Plans (MTFP).
 - Impact of investment decisions on revenue budgets.
 - Effective performance reporting and management of the Capital programme.
- 1.3 The Strategy sets out 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 (MTFS).
- 1.4 The aim of the 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, including the assessment of project outcomes, budget profiling, deliverability and achieving Value for Money.
- 1.5 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
- 1.6 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.
- 1.7 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 MTFP planning period.

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 minimis 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 2020/21 – 2024/25 General Fund capital programme totals £37,684,390. 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 5 year 2020/21 – 2024/25 Housing Revenue Account capital programme totals £56,661,556. The programme is primarily funded through contributions from the Housing Revenue Account, either in the form of depreciation on our properties which is used to fund home improvements work, or revenue contributions to capital outlays. The programme also receives capital receipts from the sale of properties, either through the Right to Buy initiative or as general sales.
- 2.7 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 Council's property portfolio.
- 2.8 The approach to developing the capital programme is based upon the following:
- 2.8.1 **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.
 - 2.8.2 **Self-Sufficiency** – The Council will seek to invest in assets that support the Council's self-sufficiency agenda and create a

maintainable ongoing revenue position.

- 2.8.3 **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.
- 2.8.4 **New Supply** – The Council will seek to build or purchase new homes for use as affordable rental properties.
- 2.8.5 **Home Improvements** – The Council will continue to invest in its council housing to maintain the Government's Decent Homes standard.
- 2.8.6 **Car Parks** – The Council owns and manages 27 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.
- 2.8.7 **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.
- 2.8.8 **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.
- 2.8.9 **Leisure** – The Council continues to own 2 leisure centres, Hood Park Leisure Centre in Ashby and Hermitage Leisure Centre in Whitwick, Coalville, following the outsourcing of the provision of these centres in May 2019. Under the new contract with Everyone Active, the Hermitage site will close and a new replacement facility in Coalville (funded by the Council) will open in March 2022.

2.9 The following material investments will be undertaken between the period of 2020 and 2025:

- 2.9.1 **New Leisure Centre** – As detailed in 2.8.9 above, the indicative value of the new facility is £23.6m and will be funded through a mixture of internal and external borrowing and capital receipts arising on the disposal of Cropston Drive, one of the Council's remaining significant land holdings. Construction is to commence on site from July 2020. Bridge and access works will start from February 2020. The overall project completion is now programmed for March 2022 (from August 2021). The Council is requesting a further £400k to support the total cost for the design and build of the bridge at the new Leisure Centre Coalville.
- 2.9.2 **Appleby Magna Caravan** - The Council plans to invest a further £435k in Appleby Magna Caravan Park, in addition to the £175k already included within the capital programme for 2020/21. This includes planning to redesign the site to allow space to be freed up to enable redevelopment.
- 2.9.3 **Council Offices refurbishment** – A significant number of new schemes have been identified by property services within the condition

surveys, this work will be undertaken over the five years and is primarily Council Offices refurbishment works of £3.8m, representing the costs associated with maintaining the council offices to a modern day standard.

2.9.4 **New Supply Programme** – We plan to spend £24.5m over five years buying and building new council homes to rent at affordable rent levels. This is expected to fund the purchase or building of up to 168 new homes.

2.9.5 **Home Improvement Programme** – We plan to invest £20.1m over five years to ensure our existing homes continue to meet the Government's Decent Home standard.

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 **Right to buy capital receipts** – The Council's tenants have a right

to purchase their homes from us, and we retain a proportion of the sale receipts. One element of these receipts, known as the right to buy one-for-one receipt, comes with strict criteria for how it can be used: it can only be used to contribute 30% of the costs of building or purchasing new homes to be let at affordable rent levels; and must be spent within 3 years of receiving the receipt or returned to Central Government with interest of 4% above the Bank of England base rate, which is currently 0.75%.

3.1.7 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.

3.1.8 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 pressures on the Council’s general fund revenue budget and Council Tax levels limit the extent to which this may be exercised as a source of capital funding. In contrast, this is the primary source of funding for the housing revenue account capital programme – funding 62% of the five year programme.

3.2 How the General Fund Capital Programme is financed over 2020/21 to 2024/25:

	Government Grant	Developer Contributions	Borrowing	Capital Receipts	Revenue or Reserves	Total
2020/21	670,310	0	9,135,000	3,000,000	115,000	12,920,310
2021/22	670,310	0	7,434,000	0	0	8,104,310
2022/23	670,310	0	1,392,000	0	0	2,062,310
2023/24	670,310	0	1,409,000	0	0	2,079,310
2024/25	670,310	0	1,645,000	0	0	2,315,310
Total	3,351,550	0	21,015,000	0	1,373,000	27,481,550

3.3 The Housing revenue account has a different profile of funding, as shown by the table below:

	Government Grant	Developer Contributions	Right to buy receipts	Capital Receipts	Revenue or Reserves	Total
2020/21	200,000	255,018	3,836,279	1,068,950	4,803,611	10,163,858
2021/22	200,000	45,570	5,587,514	400,000	6,390,894	12,623,978
2022/23	200,000	3,780	2,780,378	400,000	8,114,410	11,498,568
2023/24	200,000	0	2,597,846	400,000	8,155,674	11,353,520
2024/25	200,000	0	2,642,356	400,000	7,779,277	11,021,633
Total	1,000,000	304,368	17,444,373	2,668,950	35,243,866	56,661,557

3.4 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 on the general fund. Given the pressure on the Council’s general fund 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.

3.5 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.

- 3.6 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.

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GENERAL FUND CAPITAL PROGRAMME 2020/21 TO 2024/25

PROJECT	2019/20						2020/21	2021/22	2022/23	2023/24	2024/25	Funding					
	Original Budget	In year virements and 2018/19 carry forward	Carry Forward to 2020/21	In Year Savings	Actual @ Period 9	Forecast Outturn to end of year						Grant & S106	DF Grants	Capital Receipts	Other Reserve	Revenue	Leasing or Borrowing
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Finance System / Review	-	100,000	- 100,000		-	-	-	-	-	-	-					100,000	
Server and storage additional capacity	-	-	-		-	-	-	-	70,000	-	-					70,000	
User Screen Bulk Replacement	-	-	-		-	-	18,000	-	-	-	-					18,000	
WI-FI Replacement	-	-	-		-	-	-	-	50,000	-	-					50,000	
Website Intranet and Internet	-	-	-		-	-	-	-	-	50,000	-					50,000	
LAN Switches replacement	15,500	- 15,500	-		-	-	-	-	-	50,000	-					50,000	
WAN and DC Renewal	-	-	-		-	-	60,000	-	-	-	-					60,000	
Wi-Fi Management Portal	25,000	-	-		6,000	25,000	-	-	-	-	-			25,000		-	
Firewall Security Replacement	-	-	-		-	-	12,000	-	-	70,000	-					82,000	
Desktop Equipment Upgrade	-	-	-		-	-	-	-	120,000	-	-					120,000	
Laptop Replacements	-	-	-		-	-	25,000	45,000	35,000	25,000	35,000					165,000	
Telephony Unified Communication	130,000	-	-		-	130,000	-	-	-	-	140,000					270,000	
Professional Services for Windows Migration	45,000	-	-		42,286	45,000	-	-	-	-	45,000					90,000	
Wi-Fi Scheme	-	66,029	-		66,029	66,029	-	-	-	-	-	20,000			46,029	-	
Disabled Facility Grants	649,640	74,114	-		335,157	723,754	670,310	670,310	670,310	670,310	670,310		4,021,864		25,000	28,440	
Refuse Vehicles & Refuse Kerbsider	375,000	- 153,960	-		204,188	221,040	660,000	220,000	360,000	360,000	180,000			34,037		1,967,003	
Market Vehicles/Cars	-	-	-		-	-	30,000	90,000	-	30,000	-					150,000	
Vans - Small	16,000	-	-		15,482	16,000	-	45,000	26,000	30,000	-					117,000	
Vans - Medium	180,000	-	- 180,000		-	-	240,000	32,000	50,000	60,000	180,000					742,000	
Vans - Pickup	-	-	-		-	-	-	100,000	90,000	25,000	81,000					296,000	
Vans - Box Lorry	65,000	-	- 65,000		-	-	-	-	-	-	50,000					115,000	
Sweeper	-	-	-		-	-	130,000	180,000	-	-	-					310,000	
Digger/Misc Plant	-	-	-		-	-	-	130,000	-	-	-					130,000	
Mowing	65,000	-	-		54,006	65,000	10,000	68,000	-	-	70,000					213,000	
Electrical vehicle charging point installations	-	-	-		-	-	115,000	-	-	-	-				115,000	-	
Driver ID Fobs and Tachograph download	-	-	-		-	-	15,000	-	-	-	-					15,000	
Phase 2 Recycling Trolley's	-	-	-		-	-	10,000	-	-	-	-					10,000	
GM Depot Coalville Park - Concreting Grounds	40,000	-	-		-	40,000	-	-	-	-	-					40,000	
District Car Parks - LED Lighting Replacement	-	25,000	- 25,000		-	-	-	-	-	-	-					25,000	
Coalville Market Upgrade (Phase2)	-	-	-		-	-	-	-	-	-	-					-	
Leisure Project - Hood Park Leisure Centre Ashby	1,199,000	-	-		443,193	1,199,000	-	-	-	-	-	561,000			30,000	608,000	
Leisure Project - New Leisure Centre Coalville	8,996,000	-	- 7,296,912		588,971	1,699,088	9,678,000	4,898,000	-	-	-	270,000			3,000,000	20,302,000	
Memorial Clock Tower	-	13,012	-	6,162	6,850	6,850	-	30,000	-	-	-	6,850				30,000	
Linden Way Depot - Welfare Facilities	-	95,250	-		3,166	95,250	-	-	-	-	-					95,250	
Moirra Furnace - Masonry & Drainage/Upgrades to Furnace and Bridge & further remedial works	125,000	170,000	- 280,000		5,733	15,000	-	-	-	-	-					295,000	
Council Office - Replacement fire alarm & Cotag system	-	104,750	-		102,268	104,750	-	-	-	-	-			74,750		30,000	
Council Offices - Replace obsolete parts to consumer units following M&E survey	75,000	-	- 75,000		-	-	-	-	-	-	-					75,000	
Council Offices - Replacement LED Lighting throughout (Stenson House & Main Building)	35,000	-	- 35,000		-	-	-	-	-	-	-					35,000	
Council Offices - Insulate roof space to building	30,000	-	- 30,000		-	-	-	-	-	-	-					30,000	
Council Offices - Install solar power	-	-	-		-	-	40,000	-	-	-	-					40,000	
Council Offices - Main Building - Upgrade of all walkways, double glazing and insulated panels	250,000	-	- 250,000		-	-	-	-	-	-	-					250,000	
Council Offices - Main Building - Replacement windows generally	-	-	-		-	-	250,000	-	-	-	-					250,000	
Council Offices - (Stenson House) Replacement windows Light wells and External works	35,450	-	-	16,595	18,855	18,855	-	-	-	-	-					18,855	
Council Offices - (Stenson House) External works to roadway outside registry office	50,000	-	- 48,750		1,250	1,250	-	-	-	-	-					50,000	
Council Offices Refurbishment/Boiler heating/Lighting	-	-	-		-	-	-	1,576,000	591,000	709,000	864,000					3,740,000	
Council Offices - Lift Works	100,000	30,000	-	106,168	23,832	23,832	-	-	-	-	-					23,832	

PROJECT	2019/20						2020/21	2021/22	2022/23	2023/24	2024/25	Funding					
	Original Budget	In year virements and 2018/19 carry forward	Carry Forward to 2020/21	In Year Savings	Actual @ Period 9	Forecast Outturn to end of year						Indicative	Indicative	Indicative	Indicative	Grant & S106	DF Grants
Whitwick Business Centre - Installation of Solar Power					-	-	40,000	-								40,000	
Whitwick Business Centre - Replace Lighting with LED	12,000		-	369	11,631	11,631	-	-	-	-	-			11,631			
Car Park - High Street, Ibstock - Remove and Renew Gullies	-	-	-		-	-	35,000									35,000	
Cropston Drive - External and Internal Renovation of Changing Rooms	-	-	-		-	-	-	20,000								20,000	
UPS/Generator related (reconfiguring electric distribution)							60,000									60,000	
Market Hall -Demolish and make good	-	-	-		-	-	75,000									75,000	
Coalville - Cemetery - provision of a inclusive toilet	-	-	-		-	-	25,000									25,000	
New Garage Roof at Coalville Park	-	-	-		-	-	50,000	-	-	-	-					50,000	
The Courtyard - renew rainwater goods/door	-	-	-		-	-	25,000	-	-	-	-					25,000	
Whitwick Business Centre - Upgrade CCTV	-	-	-		-	-	10,000	-	-	-	-					10,000	
Market Street Car Park - Resurfacing	-	-	-		-	-	12,000	-	-	-	-					12,000	
Ashby Town Hall Mews - installing bollard, resurfacing & relining	-	-	-		-	-	15,000	-	-	-	-					15,000	
Marlborough Square	-	1,743,286	- 1,673,000		17,249	70,286	-	-	-	-	-	340,000		886,286	517,000		
New Market Provision	-	291,790	-		70,776	291,790	-	-	-	-	-			291,790			
Salt Bay Cover -	20,000	-	- 20,000		-	-	-	-	-	-	-					20,000	
Appleby Magna Caravan Site - redevelopment	175,000		- 124,178		50,822	50,822	610,000	-	-	-	-					785,000	
					-	-											
TOTAL GENERAL FUND	12,708,590	2,543,771	- 10,202,840	- 129,294	2,067,744	4,920,227	12,920,310	8,104,310	2,062,310	2,079,310	2,315,310	1,197,850	4,021,864	3,034,037	1,390,486	660,440	32,299,940

	Current Year Expenditure			Five Year Capital Programme Expenditure						Restricted Funding				Unrestricted funding	5 Year Funding Total	
	2019/20 budget	2019/20 Forecast	Forecast carry forward to 2020/21	2020/21	2021/22 Indicative	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	5 Year Total	Major Repairs Reserve	Right to Buy 1-for-1 Receipts	S106 Commuted Sums	Asset Disposals			
2019 - 2024 Home Improvement Programme:																
Home Improvement Programme	3,378,106	2,900,000	-	3,869,611	3,947,004	4,025,945	4,106,464	4,188,593	20,137,617	17,453,004	-	-	-	2,684,613	-	20,137,617
2019 - 2024 Home Improvement Programme Total	3,378,106	2,900,000		3,869,611	3,947,004	4,025,945	4,106,464	4,188,593	20,137,617	17,453,004	-	-	-	2,684,613	-	20,137,617
New Supply:																
New Build - use of RTB one for one reserve	920,464	273,600	-													
New Build - NWLDC contribution to RTB one for one	2,147,748	638,400	-													
New Build - NWLDC additional provision	215,697	363,000	30,000													
Gifted units																
Acquisition of sites	1,700,000	180,000	1,521,000													
Phase 2 - Police Station				27,168					27,168			27,168				27,168
Phase 3 - Cropston Drive				202,166	15,750				217,916		65,375		152,541			217,916
Phase 4 - Various sites				2,117,056	1,237,944	45,000			3,400,000		742,800	277,200	1,347,909	1,032,091		3,400,000
Phase 5 - Various sites				1,464,750	253,313	24,300			1,742,363		522,709					1,742,363
Phase 6 - Various sites					4,526,078	62,573			4,588,650		1,376,595		43,801	3,168,254	4,588,650	4,588,650
Phase 7 - TBC						4,661,860	64,450		4,726,310		1,417,893		369,814	2,938,603	4,726,310	4,726,310
Phase 8 - TBC							4,801,716	66,383	4,868,099		1,460,430		401,353	3,006,316	4,868,099	4,868,099
Phase 9 - TBC								4,945,767	4,945,767		1,483,730		353,532	3,108,505	4,945,767	4,945,767
New Supply Total	4,983,909	1,455,000	1,551,000	3,811,140	6,033,084	4,793,732	4,866,165	5,012,150	24,516,272	-	7,069,531	304,368	2,668,950	14,473,423	-	24,516,272
Estate Improvements:																
Mobility Scooter Stores	108,526	-	108,526													
Off Street Parking	412,500	200,000	212,500	250,000	250,000	250,000			750,000					750,000		750,000
Footpaths & Unadopted Roads	137,500	30,000	-	100,000	100,000	100,000	100,000	100,000	500,000					500,000		500,000
Garage Demolition & Replacement	65,270	60,000	5,270	60,000	60,000	60,000	60,000		240,000					240,000		240,000
Handrail Replacement	55,000	41,000	-													
Place-shaping pilot	-	-	-	250,000					250,000					250,000		250,000
Estates Projects - Other	-	-	-	110,000	370,000	370,000	370,000	370,000	1,590,000					1,590,000		1,590,000
Estate Improvements Total	778,796	331,000	326,296	770,000	780,000	780,000	530,000	470,000	3,330,000	-	-	-	-	3,330,000	-	3,330,000
Compliance:																
Fire Risk Assessment Remedial Works	822,000	400,000	400,000	125,000	100,000	87,000	87,000	87,000	486,000					486,000		486,000
Compliance Total	822,000	400,000	400,000	125,000	100,000	87,000	87,000	87,000	486,000	-	-	-	-	486,000	-	486,000
Major Aids & Adaptations	295,000	295,000	-	300,000	300,000	300,000	300,000	300,000	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Renewable/Replacement Energy Installations Programme	654,780	721,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supported Housing Improvements:																
Speech Module	100,000	-	100,000	150,000					150,000					150,000		150,000
Sheltered Housing Improvements	200,000	-	200,000	50,000	500,000	500,000	500,000		1,550,000					1,550,000		1,550,000
Supported Housing Improvements Total	300,000	-	300,000	200,000	500,000	500,000	500,000	-	1,700,000	-	-	-	-	1,700,000	-	1,700,000
Active Asset Management:																
Property Demolition	395,400	200,000	-	100,000					100,000					100,000		100,000
Capital Works - Voids	355,000	309,000	-	350,000	350,000	398,000	350,000	350,000	1,798,000					1,798,000		1,798,000
Professional Fees	70,000	-	-													
Active Asset Management Total	820,400	509,000	-	450,000	350,000	398,000	350,000	350,000	1,898,000	-	-	-	-	1,898,000	-	1,898,000
Other Capital Spend:																
New Housing Systems	597,458	725,000	-	24,217					24,217					24,217		24,217
PNC8 Software Upgrade - Central Control	45,400	45,400	-													
Other Capital Spend Total	642,858	770,400	-	24,217	-	-	-	-	24,217	-	-	-	-	24,217	-	24,217
Capital Salaries	433,710	438,000	-	613,890	613,890	613,890	613,890	613,890	3,069,450	-	-	-	-	3,069,450	-	3,069,450
Total Programme Costs	13,109,559	7,819,400	2,577,296	10,163,858	12,623,978	11,498,567	11,353,519	11,021,634	56,661,556	17,453,004	7,069,531	304,368	2,668,950	29,165,703	-	56,661,556

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CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	2020 – 2025 MEDIUM TERM FINANCIAL PLANS	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Medium Term Financial Strategy – Council 26 February 2019	Public Report: Yes
	Review of Medium Term Financial Plan – 16 July 2019 Draft Corporate Scrutiny Minutes – 8 January 2020	Key Decision: No
Financial Implications	A review and revision of the assumptions used in the General Fund and Housing Revenue Account Medium Term Financial Plans upon drafting of the 2020/21 draft budget has resulted in a revised forecast financial position between 2020/21 – 2024/25. The forecast deficit on the General Fund over this period is now £968k and the HRA forecast surplus for the period is £4.6m. Both Medium Term Financial Plans now include targeted savings as part of the Journey to Self-Sufficiency (of £5.1m for the general fund and £2.6m for the HRA). Matters concerning the likelihood of projections are considered throughout the report.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To present members with the impact of modified assumptions within the council's Medium Term Financial Plans and provide an update in respect of the new approach to the Journey to Self Sufficiency Programme.	
Reason for Decision	To keep members up to date in respect of the council's five-year financial projections.	

Recommendations	<p>THAT CABINET:</p> <p>1. APPROVES THE REVISED MEDIUM TERM FINANCIAL PLANS; AND</p> <p>2. NOTES THE PROGRESS OF THE JOURNEY TO SELF SUFFICIENCY PROGRAMME.</p>
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1.0 BACKGROUND

- 1.1 In December 2019, members were presented with a report that outlined the current financial forecasts within the council’s Medium Term Financial Plans (MTFP). This paper was then subsequently presented to the Corporate Scrutiny Committee on 8 January. A link to the draft minutes have been included as a background paper on page one of this report.
- 1.2 The council’s medium term financial plans flow from the 2018 Medium Term Financial Strategy, which was approved by Cabinet in February 2018. The strategy introduced a new five year rolling assessment of the financial resources required to deliver the Council’s strategic priorities and essential services and a new, self-sufficient approach to managing and safeguarding the council’s ongoing financial position in light of future central government funding changes.
- 1.3 This report details two revised Medium Term Financial Plans – the General Fund MTFP and a separate Housing Revenue Account MTFP to reflect the ring-fencing requirements around the Housing Service. Projections within each of these plans are based on the forecast outturn for the 2019/20 financial year, the final budgeted position for 2020/21, national rent policy, the Spending Review (announced by the Secretary of State on 4 September 2019) and other assumptions around the Fair Funding Review and Business Rates Reform.

2.0 JOURNEY TO SELF-SUFFICIENCY PROGRAMME

- 2.1 The Journey to Self-Sufficiency Programme has, to date, delivered a range of outcomes associated with the council becoming more self-sufficient including the implementation of the Commercial Strategy, the redesign and approval of a new Corporate Charging Policy and the drafting of a new Asset Management Strategy. An update in respect of the programmes achievements was last reported to Cabinet in July 2019.
- 2.2 Following a review undertaken by the Corporate Leadership Team the programme has been updated to reflect a wider council-wide approach, incorporating the Housing Revenue Account (HRA) as well as the General Fund so that the Council can manage its self- sufficient HRA even more effectively as well as create a General Fund position in the future to become self-sufficient and manage forecast deficits.
- 2.3 The ethos of the programme is to enhance the cost-effectiveness of the council’s activities in spite of, rather than because of, a negative financial outlook (where one exists). The approach is therefore around the Council building on its ‘One Team, One Council’ value to make the most of resources and reinvestment opportunities and

being the best it can possibly be.

- 2.4 It is, however, also recognised that there could be circumstances in the future which lead to the need for more profound measures for delivering savings. The new approach therefore looks at the level of threat posed to the ongoing financial sustainability of the council's General Fund and HRA funded services, allowing for more stringent levels of action and curtailment of services if required in the future, where necessary.
- 2.5 This approach also allows for a more comprehensive assessment of such circumstances and the various factors that affect our financial position. Non-delivery against targeted savings and/or significant adverse changes in projected financial position would trigger the need for this programme to focus its efforts towards activities identified in line with the next threat level. The Head of Finance will be responsible for reviewing savings targets and progress against as part of the bi-annual review of the MTFP, and the level of threat posed to the organisation will be assessed and determined by the Head of Finance in line with their statutory Section 151 duties to deliver an ongoing balanced budget.
- 2.6 The revised programme takes a thematic approach, with leads identified for six differently themed work streams. The work streams (listed below) will identify and exploit opportunities to generate income and reduce expenditure in order to deliver cumulative, year-on-year savings with financially effective and long-lasting changes that secure financial stability and sustainability and protect council services.
- 2.7 Thematic savings targets for both the General Fund and HRA have been established and are built into the proposed 2020/21 draft budgets and medium term financial plans, as set out below. Currently, the project scope for each of these work streams remains under development and a further update around the specifics of each theme will be shared with members in the New Year.
- 2.8 It is recognised that there will be a specific need for there to be work to underpin each of the themes to manage the impact of improvements to the way we work and on staff.

Table 1, Journey to Self Sufficiency Programme Work Streams and Savings Targets

Work Stream	General Fund			Housing Revenue Account		
	2020/21	2021/22 – 2024/25	Total MTFP	2020/21	2021/22 – 2024/25	Total MTFP
	£'000	£'000	£'000	£'000	£'000	£'000
Commercial	170	680	850	25	525	550
Contract Management	100	800	900	25	200	225
Use of Assets	200	1,600	1,800	100	400	500
Transformational	25	550	575	25	400	425
Finance	50	650	700	50	650	700
Shared Services	25	250	275	0	250	250
Total	570	4,530	5,100	225	2,425	2,650

- 2.9 To ensure accountability for the delivery of savings, specific service level targets will be developed over the coming months to ensure there is effective accountability for these targets at service-level across the organisation.
- 2.10 The Corporate Portfolio Holder will continue to act as Cabinet sponsor for the programme and updates will be provided on a monthly basis at the portfolio holder briefing session.

3.0 GENERAL FUND MEDIUM TERM FINANCIAL PLAN

2019/20 Forecast Outturn

- 3.1 The forecast position on the General Fund for 2019/20 is a surplus for the year of £353k, compared to a budgeted surplus of £161k. There have been adverse variances of £1.29m, of which £363k relates to a reduction in income, £910k in additional costs compared to the budget and a number of de minimis variances of £15k. This is offset against favourable variances of £1.12m, of which additional income of £215k and reduction in costs of £903k. The net variances of £170k have been financed by £362k of additional business rates.
- 3.2 In line with the decisions made by Council at its meeting on 26 February 2019, the forecast surplus of £353k and any additional surpluses achieved will be transferred to the self-sufficiency reserve.

Medium Term Financial Plan - Projections as at July 2019

- 3.3 The projected deficit arising between 2019/20 – 2023/24, as last reported to members in July 2019 totalled £5.7m. To summarise this position, the following table details the projected financial position over the period:

Table 2, Medium Term Financial Plan Projections as at July 2019

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit)	325	365	-1,258	-2,103	-2,985	-5,656

- 3.4 The first and subsequent deficits were forecast as a result of the implementation of the three ongoing local government funding reviews that were originally planned to be implemented from April 2020. Our medium term financial plan had assumed that from April 2020 we would have a new business rates baseline and therefore retain less business rates income and receive less New Homes Bonus because we would only be rewarded for historic growth through legacy payments and not for new housing growth achieved in 2019.

Review of Assumptions

- 3.5 Appendix B includes a list of the original assumptions included in the MTFs and

details of assumptions that have been revised.

Budget Announcement and the Provisional Local Government Finance Settlement

3.6 The government published its Provisional Local Government Finance Settlement on 20 December 2019 and confirmed the level of New Homes Bonus, and tariff and charges against retained Business Rates, which is in line with expectations and announcements previously made in the Spending Review and local government finance settlement technical consultation.

3.7 The settlement confirms:

- A commitment to fund New Homes Bonus in 2020/21, with a new round of allocations for growth achieved to October 2019 as well as continued legacy payment for historic growth. The Government has confirmed their intention to look at the New Homes Bonus scheme and explore the most effective way to incentivise housing growth in the future.
- An elimination of negative Revenue Support Grant (which was due to affect NWLDC in 2020/21), meaning that the Council will not need to adjust its retained business rates to compensate for a negative RSG payment.
- An uprating of the Settlement Funding Assessment, which affects Baseline Funding Level, meaning that we get to retain business rates under the same conditions as at present, with an allowance for inflation.
- That Local Authorities will be able to increase the Band D council tax by 2.0%. It is assumed from this that the £5 maximum will also be available for district councils, but this is yet to confirmed. This 2.0% threshold is lower than the last two financial years (where it was 2.99%).

3.8 The July 2019 version of the 2019/20 – 2023/24 General Fund medium term financial plan has been reviewed in light of the Provisional Local Government Finance Settlement and the consultation paper. The impact is that the plan shows a revised deficit position of £968k over this period compared to £5.7m, with an additional £1.8m anticipated to be retained in New Homes Bonus and retained Business Rates in 2020/21. This report now details the impact of the deferral over the forthcoming five year period from 2020/21 – 2024/25.

Final Budget

3.9 The assumptions around future expenditure included in the MTFP are based on the General Fund Revenue budget and inflated for future years. Details in respect of the budgetary proposals for 2020/21 can be found on the General Fund Budget report on the same agenda as this paper.

3.10 The predicted surplus and contribution to General Fund reserves for 2020/21 is £664k. Assuming the forecast surplus is added to the Self-Sufficiency Reserve, the reserve would increase from an estimated £4.53m at 31 March 2020 to £5.19m at 31 March 2021.

Journey to Self-Sufficiency Programme Savings Targets

- 3.11** As detailed in Section 2 above, the targeted savings of the Journey to Self-Sufficiency (J2SS) Programme have been included in the General Fund revenue budget for 2020/21 and beyond.
- 3.12** However, it should be noted that these savings are targeted and there therefore remains a risk that savings are not delivered in full.
- 3.13** To illustrate this, an additional scenario has been modelled to demonstrate the impact of the savings not being achieved– please see paragraph 3.41 and 3.42 below and Appendix G.

Business Rates

- 3.14** The ongoing Business Rate Retention Reform continues to consider the proposed changes to the Business Rates system. The reform will implement the move from the 50% Business Rate Retention Scheme to that of 75% system in 2020/21 alongside the reset of the business rates baseline. The reform was due to be implemented in April 2020, however, as part of the Spending Review announcement, the Government clarified its intention to introduce in April 2021.
- 3.15** This Business Rates baseline represents the anticipated level of business rates within a locality and 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.
- 3.16** Currently, the business rates retention systems design working group are considering how to reset this baseline – one option is that the baseline is reset at the 2018/19 level of rates, meaning that we would continue to benefit from any growth in business rates from the 2019/20 year going forward. We have assumed that the baseline would be reset under this methodology in our MTFP.
- 3.17** However, if an alternative approach was taken, where the baseline is reset at the predicted 2021/22 level of rates, this would mean that recent business rates growth would be absorbed into the system and the Council wouldn't benefit directly. This 'alternative method' is currently being considered by the business rates retention systems design working group and an additional scenario has been modelled to show the potential effect of this approach to the resetting of the baseline if no future growth post 2021 were to be retained by the Council – please see paragraph 3.39 and 3.40 below and Appendix G.
- 3.18** 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 and approval of commercial planning applications. Additional growth in the district has been identified for 2020/21 and as a result, been factored into the MTFP. The increase in retained Business Rates for next year is an increase of £495k compared to the

2019/20 budget. The 2019/20 budget however did include additional rates arising from the participating in the business rates pilot and so the increase in 2020/21 represents a significant amount of growth following the loss of these pilot monies in Leicestershire next year. This significant growth in business rates due to be collected in 2020/21 is largely as a result of the significant developments in and around the North of the District and in particular Kegworth.

- 3.19** The district has a number of key sectors that could 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. Officers have been unable to quantify the risk Brexit may pose to the Council's Business Rate income.
- 3.20** However, to illustrate the impact of a recession-type scenario, including the impact to Business Rates, work has been undertaken to assess the potential impact of an economic downturn to rates retained based on no growth and a further 2% decline in businesses operating as a result of more businesses qualifying for reliefs or businesses folding (alongside the perceived impact to council tax and council expenditure). An additional scenario to demonstrate the impact of this is included in the appendices – please see paragraph 3.39 and 3.40 below and Appendix G.

New Homes Bonus

- 3.21** The MTFP has been updated to take into account that the Council will receive a new round of allocations for growth achieved to October 2019 as well as continued legacy payment for historic growth, as confirmed in the Provisional Local Government Finance Settlement. There will be no legacy payments for growth achieved in 2019 past the 2020/21 financial year.
- 3.22** The Government have confirmed their intention to look at the New Homes Bonus scheme and explore the most effective way to incentivise housing growth in the future. Therefore the Council continues to assume that the scheme will cease and that legacy payments only will be received in 2021/22 and 2022/23.
- 3.23** Other scenarios for New Homes Bonus include the scheme remaining as is or the scheme being abolished from 2021. An assessment of these scenarios can be found in Appendix G.

Council Tax

- 3.24** The Council froze its share of council tax in 2019/20, representing the tenth year of this policy being in place. The cumulative loss of income as a result of this policy from 2010/11 to 2019/20 stands at £8.5m and the cumulative average saving to residents of £286.
- 3.25** The assumption for 2020/21 is that the Council's precept will not rise, taking the cumulative loss of income (based on a 2% increase for 2020/21) to £10.5m and the

cumulative average saving to residents to £344 over the eleven years. The net income foregone by not increasing council tax for 2020/21 from its 2019/20 level is £110k and this is based on the national referendum limit of 2% as it is yet to be confirmed whether the government will allow the council to continue to raise precepts by £5 if it is a higher value than the 2% referendum limit.

- 3.26** In the plan presented to members in July 2019, it was assumed that the council tax freeze policy would remain in place for the foreseeable future and this assumption has not changed.
- 3.27** The impact of assuming a council tax precept freeze to 2024/25 is £1.7m of foregone council tax income based on the 2% national referendum limit.
- 3.28** To provide members with the impact to both residents and the Council over the life of the MTFP, the table below illustrates the impact to residents and the Council of the 2% national referendum limit and the £5 precept increase (pending government confirmation). The table also shows the impact of an illustrative 1% increase over the plan.

Table 3, Impact to Residents and the Council of council tax increases

Increase Basis	Impact to Residents 2020/21 - 2024/25 £	Impact to Council 2020/21 - 2024/25 £'m
Maximum £5 Increase - National referendum limit if higher than a 2% increase (pending Government confirmation)	75.00	2.65
2% Increase - National referendum limit	48.86	1.73
1% Increase - For illustrative purposes	24.11	0.85

- 3.29** Given the likely significant funding challenges, volatility and uncertainty faced by the Council from 2021, it is the recommendation of the Section 151 Officer that all current assumptions around funding should be reviewed in July 2020 by Cabinet as part of the mid-year review of the Medium Term Financial Strategy, when further clarity will be available surrounding future local government funding.
- 3.30** Growth projections in respect of the Council Tax Base for next year have been varied favourably to reflect growth achieved in the current financial year and growth projections from the planning team for 2020 and beyond. The revised projection for future years is 650 homes for 2021/22 and 600 homes per year thereafter.
- 3.31** A scenario to model the impact of an economic downturn to council tax funding has been assessed - please see paragraph 3.39 and 3.40 below and Appendix G.

Transitional Measures

- 3.32** Transitional funding (often referred to as ‘damping’) is likely to occur when a council suffers a loss of total resources above a certain level upon implementation of a new funding regime around business rates and fair funding.
- 3.33** We currently remain unclear as to what level may be used to introduce transitional funding and the Government is yet to consult on this. Based on advice received from our funding advisors Pixel, an assumption of -5% has been used in the Medium Term Financial Plan.
- 3.34** Due to changes in the implementation date for changes to the local government funding system, assumed transitional funding within the refreshed MTFP has been reduced slightly over the 5 year term due to increased assumed business rates income.
- 3.35** It is unlikely that the council will be compensated for any loss below the -5% that occurs as a result of its historic policy to freeze council tax. Transition funding has therefore been incorporated into the MTFP (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.

Achieving Carbon Neutrality

- 3.36** As part of General Fund Budget for 2020/21, a £1m climate change reserve has been set-aside to assist the organisation in managing the implementation of early climate change measures on the General Fund. This reserve has now been reduced to £885k due to a revenue contribution to capital to fund the installation of 24 off street electric charging points.
- 3.37** The impact of the council commitment to achieve carbon neutrality from its own operations by 2030 has at this stage not been fully costed and incorporated into medium term financial plans.
- 3.38** Work continues to progress in this area, with the development of a Zero Carbon Roadmap which is due to be shared with members in a workshop in early December before being presented to Cabinet in March 2020 for adoption.

Assessment of Assumptions and Sensitivity Analysis

- 3.39** As detailed throughout the report, where it is appropriate to do so, additional analysis has been undertaken to test how sensitive the MTFP is to changes in assumptions and therefore circumstances concerning future funding and economic conditions.
- 3.40** Included in Appendix G is a summary table of 5 scenarios and the impact to MTFP projections set out against the Base version of the plan.

Medium Term Financial Plan – Revised Projections

- 3.41 The projected deficit arising between 2020/21 and 2024/25 has now been assessed to be £968k over the five year period and can be found in the table below.
- 3.42 It is important to note that this position assumes the Council will meet savings targets of £5.1m over this period. Should these savings not be achieved the deficit projected over the term of the MTFP would increase. Please see Appendix G for details of the projected deficit of £6.1m that would arise if the targeted savings were not met.

Table 4, Medium Term Financial Plan Projections as at February 2020

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Surplus/(Deficit)	94	-828	-1,815	-1,928	-1,591	-6,068
Journey to Self-Sufficiency Savings	570	895	1,120	1,245	1,270	5,100
Surplus/(Deficit)	664	67	-695	-683	-321	-968

- 3.43 As detailed above, the anticipated balance of the Self- Sufficiency reserve as at March 2021 is £5.19m and it is intended that this reserve is to cover the investment cost for initiatives that will earn the council a revenue return to achieve the projections laid out in Table 1. However, the reserve can also be utilised to balance deficit years where necessary.
- 3.44 The revised medium term financial plan can be found in Appendix C.

4.0 REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN

2019/20 Forecast Outturn

- 4.1 The forecast outturn position for the Housing Revenue Account for 2019/20 is a surplus of £1.8m, £358k higher than the approved budgeted surplus of £1.4m. The main causes of this surplus are:
- Reduced expenditure on a painting programme of £100k.
 - Savings of £90k on utility costs, such as council tax, gas and electricity.
 - Lower than anticipated responsive repair costs, saving £50k.
 - Net staff cost savings of £114k.

2020/21 Budget

- 4.2 The budget for 2020/21 is estimated to produce an operating surplus of £2.8m after making a contribution to the capital programme of £0.9m. We will transfer this operating surplus to the debt repayment reserve, and draw on it if required for future projects such.

HRA Medium Term Financial Plan - July 2019 Projections

- 4.3 The projected financial position, presented in July 2019, showed that the HRA was able to fully fund its capital programme and meet loan commitments falling due over the five year period from 2019/20 to 2023/24, with surpluses of £14.3m over 5 years.

Table 5, HRA Medium Term Finance Plan – July 2019 Projections

HRA	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL £'000
Total Income	17,649	18,026	18,414	18,775	19,194	92,058
Total Expenditure	-11,308	-11,547	-11,761	-11,982	-12,212	-58,810
Contribution to the Capital Programme (RCCO)	-1,700	-1,069	-104	-413	0	-3,286
Financing Expenditure	-3,223	-3,264	-3,246	-2,987	-2,953	-15,673
Surplus	1,418	2,146	3,303	3,393	4,029	14,289

- 4.4 The July 2019 update suggested that, over the life of the MTFP, a shortfall of £26.4m was anticipated from 2041/42, as a result of a need to finance a large capital programme. This had fallen from the position forecast a year ago as a result of changes to assumptions, and demonstrates the high degree of uncertainty in forecasting a 30 year period.

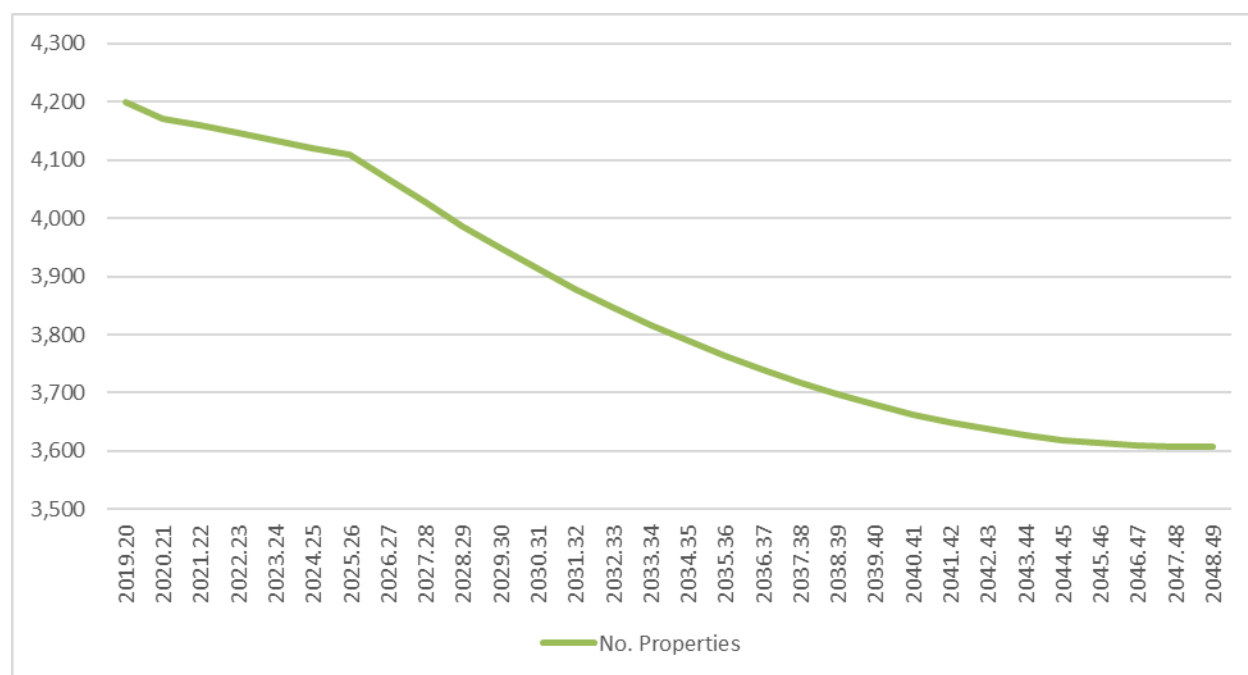
Review of Assumptions

- 4.5 Since July 2019 we have taken further opportunity to review the assumptions underlying the model to ensure our forecasting remains consistent with best practice. Full details of the changes are included in Appendix F, but the key changes are:

4.5.1 Adjustment of costs to reflect changes in property numbers.

As a result of our existing right to buy sale assumptions (which have not changed) we expect our property numbers to fall by 14.0% over the 30 year period, as shown in Figure 1.

Figure 1: 30 Year Estimate of Housing Property Numbers with a 5 year new supply programme



To reflect this, we have introduced a new assumption that our management, repairs and non-new build capital programmes will fall over the 30 years programme to reflect the falling numbers. We have assumed that a 1% reduction in property numbers leads to a 0.25% reduction in management and stock improvement costs, to reflect that falling property numbers does not necessarily lead to a proportionate fall in costs.

This assumption change only applied to years 6-30 of the model, and reduces our costs over the 30 year period by £37.5m in addition to the changes noted below.

4.5.2 Reducing our income inflation assumption. In the last update we had assumed that the income from years 1-5 will increase by 1% more than inflation, as measured by the consumer price index, following the latest guidance from central government. From years 6 to 30 we had assumed that we would increase rents by 0.5% above inflation. To be more prudent we have now revised down the years 6 to 30 increases to just inflation, at a cost to the business plan of £37.2m.

4.6 We have also made a number of changes to our expectations over the 30 year period:

4.6.1 Introduction of a 5 year New Supply Programme. For the first time we have developed a 5 year new supply programme within our capital programme, for the purpose of building and acquiring new properties. We have budgeted the five year programme to cost £24.5m, up from an original planned expenditure of £1.6m. This is expected to produce an additional 168 houses over the 5 year period. The sustainability of the

New Supply Programme is dependent on external funding, so does not currently include a provision for New Supply after 2024/25.

Members of the Corporate Scrutiny Committee suggested that we should forecast the New Supply programme for the 30 years at their meeting on 8 January 2020. Figure 2 (below) shows that if we continued with our estimates of buying or building 30 new properties per year until halfway through 2045-46, we would return stock to their current levels. This would require borrowing of £40.6m to repay our maturity loans when they fall due in 2038 and 2042.

We will be reviewing the wider Housing Revenue Account Business Plan in 2020/21 and this will consider our aspirations for the HRA and our Medium Term Finance Plans will focus more on the upcoming 5 year window rather than the 30 year period.

Figure 2: 30 Year Estimate of Housing Property Numbers aiming to retain current stock numbers



4.6.2 Reducing the size of the long-term capital programme. The model has assumptions around the size of the Housing Capital Programme each year for 30 years. The July 2019 model had assumed that the non-new supply elements of the capital programme would be £251.6m from years 6 to 30, an average of £10.1m per year. This is now considered to be an overassessment of need, and revised figures have brought that down to £196.2m from years 6 to 30, or an average of £7.8m per year – saving the HRA business plan £55.4m.

4.6.3 Updates to 2019/20 forecast expenditure. We have updated our

forecast expenditure for 2019/20, which has improved our financial position by £3.1m. This is due to £2.7m forecast underspend on the capital programme (excluding slippages) and additional surpluses of £0.4m on the revenue account.

4.6.4 Changes within the 2020/21 budget. The 2020/21 budget, before funding the capital programme, is £0.5m better than in July 2019, which is largely due to increases in the In-House Repairs Team's expected surplus now they are also completing the Home Improvement Programme for the Council, plus new savings targets as part of the Journey to Self Sufficiency programme. As budgets in years 3-30 are based on the 2020/21 budget this improves the 30 year budget position by £20.5m.

Achieving Carbon Neutrality

4.7 We have not yet included any cost assumptions for making the council carbon neutral by 2030, as we believe it to be premature to do so whilst we are still developing our roadmap to zero carbon. We will, however, look to introduce an assumption for this for our next update.

HRA Medium Term Financial Plan – Revised Projections

4.8 The net result of these changes is an improvement to the HRA 30 plan of £56.4m. This favourable change means we now anticipate being able to repay the self-financing loans taken out in 2012 in full when they fall due, subject to members wishing to utilise these surpluses for service improvements (including new supply as illustrated in figure 1 above). Members will however, retain the flexibility to re- finance these loans should they wish to do so.

4.9 The changes made to the model illustrate the high degree of uncertainty in forecasting a 30 year period, as our model is highly sensitive to small changes in assumptions, such as changes in our expected capital expenditure and measures of inflation. We will continue to monitor the 30 year financials but most of our focus will remain on the medium term period of the next five years, which are shown in the table below and a detailed breakdown is provided in Appendix F. These figures have been updated to reflect the latest HRA and capital programme budgets, which are detailed in other reports on this agenda, and have reduced the 5 year surpluses by £56k.

Table 6, HRA Medium Term Finance Plan – February 2020 Projections

HRA	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Total Income	18,238	18,766	19,346	19,953	20,474	96,777
Total Expenditure	-11,469	-11,643	-11,847	-12,050	-12,311	-59,320
Contribution to the Capital Programme (RCCO)	-934	-4,108	-5,133	-4,961	-4,720	-19,856
Financing Expenditure	-3,272	-3,256	-3,031	-3,032	-3,029	-15,620
Surplus	2,563	-241	-666	-90	414	1,980

Journey to Self-Sufficiency Programme Savings	225	325	575	625	900	2,650
Surplus	2,788	84	-91	535	1,314	4,630

4.10 The HRA continues to generate healthy surpluses over the five year period, totalling £4.6m. However, this is lower than in previous forecast, as a result of higher contributions being made to the capital programme as a result of the New Supply programme being budgeted over 5 years and the resulting need for revenue contribution to capital to fund it. These forecasts also exclude any work for reducing our carbon footprint, which will need to be funded from these surpluses or external grants.

4.11 As noted in section 2, the HRA is now included in the Journey to Self Sufficiency Programme. Whilst the HRA is already self-sufficient, the ethos of this programme applies equally to the HRA to ensure that we continually seek to improve the value for money we offer to our tenants. This is particularly important now we are adjusting our longer term predictions to reflect the reduction in property numbers (as outlined in paragraph 4.5.1), as we need to ensure our budgets reflect our reducing property numbers. The J2SS line in the table above sets out the HRA's saving or income targets for the five years that have not yet been identified and allocated to a budget.

Use of surpluses

4.12 Through last year's budget process, Council agreed to allow us to use the HRA's surpluses more flexibly. Due to the ring-fenced nature of the account there are limited ways we can use surpluses, which are summarised as follows:

- **Repayment of debt.** We can repay the debt we took out in 2012 when we adopted a self-financing model.
- **Investing in capital projects.** We can use surpluses to fund capital projects, such as the building or purchasing of new homes and improvements to our existing homes and estates.
- **Improving our day to day service.** We can either invest in the service we offer or reduce the rents we charge.

4.13 In practice, we do all of these each year through our normal budgets. However, the more favourable 30 year financial outlook creates an opportunity to review what we hope to achieve using the HRA's resources. We will explore this further in the coming year with an informal workshop with Cabinet.

4.14 In the meantime, we propose paying additional surpluses into the debt repayment reserve. As this funding will be set aside for a number of years, we propose using the additional flexibility granted to dip into the reserve to provide funding for future projects, if required.

Policies and other considerations, as appropriate	
Council Priorities:	The medium term financial plans seeks to understand the amount of resources the Council will have to deliver its priorities in the future.
Policy Considerations:	Not applicable.
Safeguarding:	Not applicable.
Equalities/Diversity:	Not applicable.
Customer Impact:	Not applicable.
Economic and Social Impact:	Not applicable.
Environment and Climate Change:	The full impact of the climate emergency, declared by Council in May 2019, is not yet known. The plans therefore do not reflect the potential effort required to make the Council carbon neutral by 2030.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 8 January 2020
Risks:	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.
Officer Contact	Tracy Bingham, Head of Finance 01530 454707 tracy.bingham@nwleicestershire.gov.uk

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – JULY 2019

	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000
Base Budget Indicative Base Budget (based on services assessment) Assumed Base Budget (5% increase year on year)	14,772				
Total Budget before Savings/Surplus	14,772	13,683	14,757	15,045	15,358
Transfer to reserves (Savings Required)/Surplus to Self-Sufficiency Reserve	325	365	(1,258)	(2,103)	(2,985)
Total Final Expenditure Budget	15,096	14,048	13,499	12,942	12,374
Funding					
Revenue Support Grant	0	0	0	0	0
Business Rates	6,598	4,056	4,811	5,569	6,332
New Homes Bonus	3,068	2,418	1,887	891	0
Council Tax	5,341	5,430	5,519	5,608	5,697
Council Tax Surplus	90	32	0	0	0
Other Grants	0	0	0	0	0
Damping	0	2,112	1,281	873	345
Total Funding	15,096	14,048	13,499	12,942	12,374

GENERAL FUND REVENUE PROJECTIONS KEY ASSUMPTIONS

		Assumptions of Medium Term Financial Plan – January 2019	Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019	Assumptions of Medium Term Financial Plan – February 2020
Base Budget	1	As per 2019/20 draft budget.	As per 2019/20 final budget.	As per the 2020/21 draft budget
Indicative Base Budget	2.	Stabilisation of planning fees from 2018/19 at £1.2 million per annum	No change	Planning fees reduced to £1.1m for 2020/21 and then increased in line with inflation.
	3.	Stable car parking charges and income	No change	Car Parking charges remain stable, income has reduced. Car Parking is subject to a service review.
	4.	Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25k (approximately 25%) each year over four years, and maintain Special Expenses at their current levels	No change	No change. From 2021/22 the support grant to parishes will be nil.
	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	No change, redesign of the council's pay structure has been implemented	Pay award in line with inflation estimates.
	6.	Pensions and national insurance costs inflated at anticipated levels to 2024.	No change. Additional pension contributions due to be confirmed later in the year. The 1% annual increase included in the base budget have been tested and has been confirmed as reasonable.	No change, expanded to 2025.
	7.	Adjustment to align with the governments forecasts for CPI as announced as part of the Spring	No change, as confirmed via the Spring Statement	No change

		Assumptions of Medium Term Financial Plan – January 2019	Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019	Assumptions of Medium Term Financial Plan – February 2020
		Statement: 2019/20 – 1.8% 2020/21 – 2022/23 – 2%		
	8.	Return on investments at previously achieved performance level of 0.7%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds	No change. Anticipate change in line with 2020/21 budget and resultant investment income.	No change
	9.	Apprenticeship levy of 0.5%	No change	No change
	10	That the council saves £100k in corporate overheads in 2019/20 and £200k from 2020/21 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.	No change. The 2019/20 base budget has been aligned with the management fees payable to and from the contractor. Management fee payable: <ul style="list-style-type: none"> • 2019/20: £529k • 2020/21: £280k • 2021/22: £208k Management fee receivable: <ul style="list-style-type: none"> • 2022/23: -£59k • 2023/34: -£321k 	No change
Revenue Support Grant	11.	RSG is phased out in 2018/19. 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: <ul style="list-style-type: none"> • 2019/20: nil • 2020/21: -£210k • 2021/22: -£270k • 2022/23: -£320k 	No change, subject to the outcome of the Fair Funding review.	Elimination of the RSG for 2020/21.

		Assumptions of Medium Term Financial Plan – January 2019	Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019	Assumptions of Medium Term Financial Plan – February 2020
Business Rates	12.	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%.	Full 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%. Subject to the outcome of the 75% Business Rates Retention system reform and the Fair Funding review.	Full Business Rates Baseline reset in 2020/21 at the 2019/20 level of business rates collected with transition payments assumed so that the council's net funding doesn't reduce below 5%. Subject to the outcome of the 75% Business Rates Retention system reform and the Fair Funding review.
	13	75% Business Rate Retention system implemented in 2020/21	No change. Business Rates are aligned with the 75% retention business rates pilot	No change
	14	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.	No Change	No change
New Homes Bonus	15	That New Homes Bonus funding is removed from 2020/21 but that legacy payments continue and reduce to NIL by 2023/24.	No change, pending outcome of Fair Funding Review.	No change, pending outcome of Fair Funding Review
Council Tax	16	Council tax assumed at 0% precept increase	No change, on the basis of the Conservative Party Manifesto commitment.	No change
	17	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.	Council tax base increases are 562 properties per year.	Council tax base increases are 650 for 2020/21 and 600 properties per year.

		Assumptions of Medium Term Financial Plan – January 2019	Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019	Assumptions of Medium Term Financial Plan – February 2020
		<p>NB – A report was presented to Cabinet in December which amended the current discounts offered on second homes and empty homes.</p> <p>This will marginally increase the council tax base and therefore the income collected. These assumptions have now been built into the calculations.</p>		
Council Tax Surplus	18	£90k surplus for 2019/20, assumed at £32k 2020/21 and to NIL from 2021/22.	No change.	Assumed at £66k for 2020/21 in line with the budget
Other	19	Self Sufficiency Reserve of £2.76 million.	Self Sufficiency now stands at £4.2 million.	Self Sufficiency now stands at £4.2 million.
	20	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	No change	No change
	21	The General Fund Capital Programme is fully funded.	No change. Resultant increases in finance costs reflected in base budget	No change
	22	Transitory measures based on assumption that the council will not suffer a loss of total resources of more than 5% in any one year.	No change	No change
	23	Minimum Revenue Provision policy revised in line with Statutory Guidance – impact to 2019/20 negligible, but increase in MRP for future years.	<p>No change.</p> <p>Anticipated increase in financing costs in future years, not only reflects the MRP policy change but also costs related to the council's need to borrow in 2022 as identified in the Treasury</p>	No change

		Assumptions of Medium Term Financial Plan – January 2019	Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019	Assumptions of Medium Term Financial Plan – February 2020
			Management Strategy presented to Cabinet in February 19	
Transition Funding	24	Assumed to be received when core funding reduces by more than 5% of total funding. Calculated on basis that council tax precept has been increased.	Assumed to be received when core funding reduces by more than 5% of total funding. Calculated on basis that council tax precept has been increased.	No change

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – REVISED PROJECTIONS

	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
	£000	£000	£000	£000	£000
Base Budget					
Indicative Base Budget (based on services assessment)	14,864	15,510	15,760	15,891	16,476
Assumed Base Budget (5% increase year on year)					
Transfer to Climate Change Reserve	885				
Journey to Self-Sufficiency Programme Target Savings	(570)	(895)	(1,120)	(1,245)	(1,270)
Total Budget before Savings/Surplus	15,179	14,615	14,640	14,646	15,206
Transfer to reserves: (Savings Required)/Surplus to Self-Sufficiency Reserve	664	67	(695)	(683)	(321)
Total Final Expenditure Budget	15,843	14,682	13,945	13,963	14,885
Funding					
Revenue Support Grant					
Business Rates	6,882	4,613	5,397	8,186	9,012
New Homes Bonus	3,411	1,887	891	0	0
Council Tax	5,484	5,588	5,683	5,778	5,873
Council Tax Surplus	66	0	0	0	0
Other grants					
Damping		2,593	1,974	0	0
Total Funding	15,843	14,682	13,945	13,963	14,885

* Subject to rounding

HRA BUSINESS PLAN MODEL PROJECTIONS – JUNE
2019

Year	1	2	3	4	5
Financial Year	2019.20	2020.21	2021.22	2022.23	2023.24
HRA 30 YEAR SUMMARY					
Dwelling rents	17,009,750	17,384,057	17,759,063	18,107,675	18,513,203
Non-dwelling rents	65,920	67,238	68,583	69,955	71,354
Service charge income	553,070	553,931	565,010	576,310	587,836
Other income and contributions	20,120	20,522	20,933	21,352	21,779
Total income	17,648,860	18,025,749	18,413,589	18,775,292	19,194,172
Repairs & maintenance	5,372,410	5,506,720	5,644,388	5,785,498	5,930,135
Management (incl RRT)	2,693,780	2,761,125	2,830,153	2,900,906	2,973,429
Bad debts	100,000	103,287	105,602	107,688	110,109
Depreciation	3,139,190	3,172,954	3,178,525	3,185,399	3,195,080
Debt management	2,750	2,750	2,750	2,750	2,750
Total costs	11,308,130	11,546,836	11,761,418	11,982,241	12,211,503
Net income from services	6,340,730	6,478,913	6,652,171	6,793,051	6,982,668
Interest payable	-2,253,980	-2,226,562	-2,197,892	-1,861,824	-1,834,544
Interest income	108,550	116,171	131,982	81,377	115,311
Net income/expenditure before appropriations	4,195,300	4,368,522	4,586,261	5,012,604	5,263,435
Set aside for debt repayment	-1,128,190	-1,153,676	-14,179,746	-1,206,414	-1,233,694
Revenue contributions to capital	-1,700,000	-1,069,341	-104,240	-412,778	0
Allocation to/from other reserves	0	0	13,000,000	0	0
Other appropriations	50,730	0	0	0	0
Net HRA Surplus/Deficit	1,417,840	2,145,505	3,302,275	3,393,412	4,029,742

HOUSING REVENUE ACCOUNT PROJECTIONS
KEY ASSUMPTIONS

	MTFS 2019 – 2024 Original Assumptions (February 2019)	MTFS 2019 – 2024 Revised Assumptions (June 2019)	MTFS 2020 – 2025 Assumptions (February 2020)
Income (Rents)	<ol style="list-style-type: none"> 1. As per Government rent policy of CPI + 1% for five years and then CPI + 0.5% for the remaining 25 years. CPI assumed at 2%. 2. Rent loss performance on empty homes sustained at 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. 37 new homes added to the housing stock during 2019/20 at affordable rent levels and 20 in 20/21 	<ol style="list-style-type: none"> 1. No change 2. No change 3. Right to Buy sales increased to 40 in 2019/20, 42 in 2020/21 to 2023/24, 41 for the 4 years to 2027/28 in which is move to 40 in 2028/29 and decreases by two per year until it reaches 0. 4. 26 new affordable properties added to stock levels in 2019/20 with 20 properties added in 2021/22. 	<ol style="list-style-type: none"> 1. As per Government rent policy of CPI + 1% for five years and then just CPI for the remaining 5 years. CPI assumed at 2%. 2. No change 3. No change 4. 32 new homes added to the housing stock during 2020/21 with a target to start work on 30 properties per year thereafter for the 5 years of the programme.
Base budget	<ol style="list-style-type: none"> 5. Inflationary increase of 3.5% per annum. 	<ol style="list-style-type: none"> 5. . Inflation increased revised down to 2.5% to bring to closer to Bank of England target rates. 	<ol style="list-style-type: none"> 5. No change

	MTFS 2019 – 2024 Original Assumptions (February 2019)	MTFS 2019 – 2024 Revised Assumptions (June 2019)	MTFS 2020 – 2025 Assumptions (February 2020)
Other	<p>6. Surplus balances on the HRA to be transferred to the loan redemption reserve to repay the first £13 million of maturity loans.</p> <p>7. HRA Capital Programme is full funded</p> <p>8. The 30 year capital programme cost projects for the HRA was £186 million.</p>	<p>6. We now have £13 million so surpluses will be retained in working balances unless needed for other reasons.</p> <p>7. No change as the Capital Programme remains fully funded. There is a £1.7 million revenue to capital contribution budgeted in 2019/20 and our model predicts that further contributions may be needed to fund non-new build works in the future.</p> <p>8. This figure has increased to £188.0 million in today's prices. It rises to £287.1 million when inflation is added.</p>	<p>6. Due to increased surpluses, £2.0 million proposed to be transferred to the debt repayment reserve for the loans falling due in 2037, with surpluses above that being retained in balances pending strategic review.</p> <p>7. Revenue Contribution to Capital Outlay of £1.0 million in 2020/21 to continue to fund the Capital Programme.</p> <p>8. The 30 year capital programme cost projections for the HRA have been revised down to £229.0 million when inflation and additional New Build properties have been considered.</p> <p>9. New assumption: From year 6's onwards, we are revise down our management, repairs and capital costs to reflect the reducing number of properties we own, but a rate of 0.25% for every 1% fall in property numbers.</p>

HRA BUSINESS PLAN MODEL PROJECTIONS – REVISED
February 2020

Year Financial Year	1 2020.21	2 2021.22	3 2022.23	4 2023.24	5 2024.25
HRA 30 YEAR SUMMARY					
Dwelling rents	17,306,320	17,816,268	18,376,948	18,964,337	19,466,251
Non-dwelling rents	65,920	67,238	68,583	69,955	71,354
Service charge income	556,770	567,905	579,264	590,849	602,666
Other income and contributions	308,660	314,833	321,130	327,552	334,104
Total income	18,237,670	18,766,245	19,345,924	19,952,693	20,474,374
Repairs & maintenance Management (incl RRT)	5,534,960	5,590,180	5,702,025	5,809,614	5,919,743
Bad debts	2,691,730	2,767,791	2,848,635	2,929,409	3,012,344
Depreciation	100,000	103,931	108,520	113,087	117,233
Debt management	3,139,190	3,178,525	3,185,399	3,195,080	3,258,982
Total costs	11,468,630	11,643,177	11,847,330	12,049,939	12,311,052
Net income from services	6,769,040	7,123,068	7,498,595	7,902,754	8,163,323
Interest payable	-2,228,494	-2,197,892	-1,861,824	-1,834,544	-1,806,639
Interest income	109,900	121,722	36,882	36,314	39,649
Net income/ expenditure before appropriations	4,650,446	5,046,897	5,673,652	6,104,523	6,396,333
Set aside for debt repayment	-1,153,676	-14,179,746	-1,206,414	-1,233,694	-1,261,599
Revenue contributions to capital	-934,000	-4,108,237	-5,133,312	-4,960,594	-4,720,296
Allocation to/from other reserves	0	13,000,000	0	0	0
Other appropriations	225,000	325,000	575,000	625,000	900,000
Net HRA Surplus/Deficit	2,787,770	83,914	-91,074	535,236	1,314,438
HRA Balance brought forward	3,047,638	5,835,408	5,919,322	5,828,248	6,363,484
HRA surplus/deficit	2,787,770	83,914	-91,074	535,236	1,314,438
HRA Balance carried forward	5,835,408	5,919,322	5,828,248	6,363,484	7,677,922

GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2020 – 2025
SCENARIO ANALYSIS

The table below is intended to illustrate an isolated change in a number of different assumptions to give readers an indication of the breadth of financial outcomes.

Isolated changes are highlighted in *red italic*.

Table G1 – Summary of Scenario Analysis

	Most Likely Position	Savings targets not achieved	Alternative Model - Business Rates Baseline Reset	Economic Downturn	New Homes Bonus Scheme Continues	New Homes Bonus Scheme Abolished
	Base MTFP £'000	Scenario 1 £'000	Scenario 2 £'000	Scenario 3 £'000	Scenario 4 £'000	Scenario 5 £'000
What the Scenario is modelling?	Most likely assumptions, given known information at February 2020 and impact of Journey to Self-Sufficiency savings being met in full.	The impact of Journey to Self-Sufficiency savings targets not being met.	The potential impact of the 'Alternative Model' methodology for resetting the business rates baseline in 2021 - the effect of which would be that the Council no longer benefit from new business rate growth.	The potential impact to business rates, council tax and expenditure of economic downturn commencing in 2020/21.	The impact of the New Homes Bonus scheme continuing in the future on the same basis as it currently operates.	The impact of the New Homes Bonus scheme being abolished from 2021.
NHB	0.4% Baseline; Legacy payments from 2020	as per Base	as per Base	as per Base	<i>NHB scheme continues as is</i>	<i>NHB scheme abolished in 2021</i>

	Most Likely Position	Savings targets not achieved	Alternative Model - Business Rates Baseline Reset	Economic Downturn	New Homes Bonus Scheme Continues	New Homes Bonus Scheme Abolished
	Base MTFP £'000	Scenario 1 £'000	Scenario 2 £'000	Scenario 3 £'000	Scenario 4 £'000	Scenario 5 £'000
Business Rates	Full reset in 2020 based on 19/20 rates level	as per Base	<i>Alternative Model methodology for resetting of baseline - no growth post 2021</i>	<i>No growth over life of MTFP and a 2% reduction as a result of businesses folding</i>	as per Base	as per Base
Council Tax	0% precept to 2024, growth 650 homes 21/22, 600 p.a. thereafter	as per Base	as per Base	<i>2% reduction in council tax receipts as more people become eligible for reprieve</i>	as per Base	as per Base
Journey to Self-Sufficiency Savings	Savings achieved as per targets (total of £4.85m over period and equating to £1.22m per year by 2025)	Nil savings achieved over period of MTFP	as per Base	as per Base	as per Base	as per Base
Transition	Transitional funding in place when total resources falls below -5% (assessed as if Council Tax had increased historically year on year)					
Expenditure	As per budgetary forecasts	<i>J2SS Savings not achieved</i>	as per Base	<i>1% increase in expenditure to reflect increased demand on services and reduced planning fee income</i>	as per Base	as per Base
Surplus / - Deficit Position £'000	-£968	-£6,068	-£10,315	-£12,427	£40,855	-£1,445

Table G2 - In Year Surplus/ (Deficit)

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Surplus/(Deficit)	664	67	-695	-683	-321	-968
Scenario 1	94	-828	-1,815	-1,928	-1,591	-6,068
Scenario 2	572	50	-853	-4,837	-5,247	-10,315
Scenario 3	-902	-1,477	-2,358	-3,222	-4,467	-12,427
Scenario 4	572	2,778	7,005	13,361	17,140	40,855
Scenario 5	572	70	-1,048	-700	-339	-1,445

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2020/21	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	2020-2025 Medium Term Financial Plans – Cabinet 10 December 2019	Public Report: Yes
	Statutory Guidance on Local Government Investments – GOV.UK Draft Corporate Scrutiny Minutes - 8 January 2020	Key Decision: No
Financial Implications	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.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications		
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To seek approval of the Investment Strategy – Service and Commercial 2020/21.	
Reason for Decision	To ensure the Council meets the requirements of statutory guidance issued by the government in January 2018 under section 15(1)a of the Local Government Act 2003.	
Recommendations	THAT CABINET RECOMMEND THE INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2020/21 FOR APPROVAL BY COUNCIL ON 25 FEBRUARY 2020.	

1. 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 a third party (service investments); and
 - iii. To earn interest income (known as commercial investments where there this is the main purpose).
- 1.2 The Investment Strategy attached as Appendix A was introduced in 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018 under section 15(1)a of the Local Government Act 2003. The Investment Strategy has been reviewed and updated for 2020/21.
- 1.3 The Investment Strategy – Service and Commercial, focusses solely on service investments and commercial opportunities (as outlined in 1.1 ii. and iii. above. Treasury Management activities (as outline in 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. There has no changes to the limits from 2019/20.
- 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.
- 1.6 The Investment Strategy was considered by the Corporate Scrutiny Committee on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Corporate Scrutiny Committee – 8 January 2020
Risks:	Investment and reliance on income from commercial activity carry elements of risk. These risks are moderated through the 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.
Officer Contact	Tracy Bingham Head of Finance and S151 Officer tracy.bingham@nwleicestershire.gov.uk

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INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2020/21

1.0 INTRODUCTION

- 1.1 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 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 (e.g. from council tax, business rates and grants) before it pays for its expenditure in cash (e.g. 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 2020/21 for treasury management investments are covered in the ‘Treasury Management Strategy Statement 2020/21’.

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	2020/21 Approved Limit
Subsidiaries	£10,000,000
Trading Company	£500,000
Suppliers	£100,000
Local Businesses	£2,000,000
Local Charities	£100,000
Housing Associations	£3,000,000
TOTAL	£15,700,000

- 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	2020/21 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 2019 £m	Net Budgeted Surplus / (Deficit) for 2019/20 £'000	Net Forecast Surplus / (Deficit) for 2019/20 £'000	Reason Held
Industrial Units	£4.8	£308	£283	Profits supplement council expenditure
Market Hall	£1.5	(£100)	(£163)	Any profit supplements council expenditure
Whitwick Business Centre	£1.7	£1	(£32)	Self-supporting – supports the local economy
Land	£4.6	£0	£0	Future economic benefit
	£12.6	£209	£88	

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 4 February 2020) 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.

	2019/20 Forecast £'000	2020/21 Budget £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Net Revenue Expenditure	14,894	15,678	14,615	14,640	14,646	15,207
Investment income	88	180	234	245	235	226
Proportion	0.59%	1.15%	1.60%	1.67%	1.60%	1.49%

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 2020/21.

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.
- The authorisation of Inter-Local Authority investment decisions.

Finance Team Manager (Deputy Section 151 Officer) – ensuring that day to day treasury activities comply with the approved Treasury Management Strategy Statement and approving Inter-Local Authority investment decisions in the absence or on behalf of the Head of Finance.

Technical Accountant – identification of investment opportunities and borrowing requirements and acts as the Council's interface with brokers and counterparties. Routine investments decisions are made by the Technical Accountant, with the exception of Inter-Local Authority transactions. This role is delegated to a Finance Business Partner in the absence of the Technical Accountant.

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	31/3/19 Actual £'000	31/3/20 Estimate £'000	31/3/21 Estimate £'000	31/3/22 Estimate £'000
Treasury Management investments*	3,000	3,000	2,500	2,500
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	15,100	15,100
Commitments to lend	0	0	0	0
Guarantees issued on loans	0	0	0	0
TOTAL EXPOSURE	15,600	15,600	15,100	15,100

*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	31/3/19 Actual £'000	31/3/20 Estimate £'000	31/3/21 Estimate £'000	31/3/22 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	31/3/19 Actual	31/3/20 Estimate	31/3/21 Estimate	31/3/22 Estimate
Treasury Management investments	0.72%	0.81%	4%	4%
Service Investments: Loans	0%	0%	0%	0%
Service Investments: Shares	0%	0%	0%	0%
Commercial Investments: Property	1.67%	0.70%	1.43%	1.86%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 4 FEBRUARY 2020



Title of Report	TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 AND PRUDENTIAL INDICATORS 2020/21 – 2022/23	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Committee Draft Minutes – 8 January 2020	Public Report: Yes
		Key Decision: Yes
Financial Implications	Interest earned on balances and interest paid on external debt, impact on the resources available to the authority.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	<p>This report outlines the expected treasury operations for the forthcoming financial year and sets out the Authority's treasury management indicators for 2020/21 to 2022/23. It fulfils key requirements of the:</p> <ul style="list-style-type: none"> • Local Government Act 2003; • The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice for Treasury Management in 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 Finance in Local Authorities; and • The requirement for a Policy for the Annual Minimum Revenue Provision. 	
Reason for Decision	To meet the requirement of the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services Code of Practice' 2017 Edition (the CIPFA Code).	
Recommendations	THAT THE TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21, THE TREASURY MANAGEMENT PRUDENTIAL INDICATORS – REVISED 2019/20 AND 2020/21-2022/23 AND THE ANNUAL MINIMUM REVENUE PROVISION BE RECOMMENDED TO COUNCIL FOR APPROVAL.	

1. 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 which is a separate item on the agenda for Cabinet on 4 February 2020.
- 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.
- 1.7 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 £2,689,371 in 2020/21.
 - 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 £300,700 in 2020/21 (General Fund - £190,800, HRA - £109,900).
 - h) Treasury Management and Prudential Indicators for 2020/21 to 2024/25 (Appendix E). These are designed to monitor borrowing limits, debt levels and investment returns.
 - i) Annual Minimum Revenue Provision Statement for 2020/21 (Appendix F). General Fund MRP is estimated at £748,762.

- 1.8 The Corporate Scrutiny Committee considered the draft TMSS on 8 January 2020. A link to the draft minutes have been included as a background paper on page one of this report. Members should note that the strategy is aligned to the Capital Programmes 2020/21-2024/25 and has been revised in line with changes to the capital programme since being presented to Corporate Scrutiny Committee. In particular, the assumptions regarding the value and timing of capital expenditure.
- 1.9 As previously mentioned the Council has consulted with their external consultants Arlingclose, to provide advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Council in the context of the expected level of cash balances and the need for liquidity throughout the year. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims primarily to avoid credit risk by holding a minimum level of investments for cash flow liquidity purposes only. The majority of the Council's surplus cash is currently invested in highly liquid short-term unsecured bank deposits, short-term deposits with other local authorities and money market funds. Should investment balances increase and are forecast to be available for a sustained period the Council will aim to diversify further into secured asset classes and look to invest for longer periods. The value to be obtained from longer term investments will be carefully assessed (including the need for borrowing) and the Council estimates cash balances between £2.5m to £5m can be released for longer term investment. This strategy was put in place in 2019/2020 and the Council will now seek to take advantage of this alternative investment approach in 2020/21.
- 1.10 The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. To this end the balance sheet forecast shows that the council does not expect to borrow in 2020/21. Borrowing may be required by 2021/22 should the council wish to maintain its MIFID (Markets in Financial Instruments Directive 2004/39/EC) status which requires an investment balance of £10m at any one time.
- 1.11 The Council will have a requirement for short-term borrowing in 2022/23, after the completion of the new build Leisure Centre. This requirement is dependent on the nature of the cash flow fluctuations, such as collection of Council Tax, business rates, grants, and capital receipts, payments to other precepting authorities or central government and interest on treasury activity. The benefits of short-term borrowing will be monitored regularly as part of the Treasury management activity.
- 1.12 In the future, the council may consider other service delivery models (for example shared services) and these will potentially affect the council's balance sheet and treasury position. Should alternative delivery models be agreed and implemented and the assumptions on which this statements is based alter significantly, a new TMSS will be presented to Members.
- 1.13 Finally, last year Council agreed to no longer automatically set aside its budgeted HRA surpluses for the repayment of maturity loans that fall due from 2037. We are proposing to put surpluses into the debt repayment reserve and draw upon them to fund projects, such as New Supply work or work to reduce our carbon emissions, when needed. This makes the default option to save surpluses to repay debt, but continues to give us the flexibility to use surpluses for other purposes. We will ensure that the debt repayment

reserve retains the £13m previously set aside to repay two maturity loans that fall due in March 2022. The remaining maturity loans total £43.8m, with £10m due to be repaid 2037 and £33.8m in 2042.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Corporate Scrutiny Committee – 8 January 2020
Risks:	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice.
Officer Contact	Tracy Bingham Head of Finance and S151 Officer tracy.bingham@nwleicestershire.gov.uk

APPENDIX 1

TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

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

- The Borrowing Strategy 2020/21 (APPENDIX A)
- The Debt Rescheduling Strategy 2020/21 (APPENDIX B)
- The Annual Treasury Management Investment Strategy 2020/21 (APPENDIX C)
- The Apportionment of Interest Strategy 2020/21 (APPENDIX D)
- The Treasury Management and Prudential Indicators 2020/21 to 2024/25 (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 and 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.
- The authorisation of Inter-Local Authority investment decisions.

Finance Team Manager (Deputy Section 151 Officer) – ensuring that day to day treasury activities comply with the approved Treasury Management Strategy Statement and approving Inter-Local Authority investment decisions in the absence or on behalf of the Head of Finance.

Technical Accountant – identification of investment opportunities and borrowing requirements and acts as the Council's interface with brokers and counterparties. Routine investments decisions are made by the Technical Accountant, with the exception of Inter-Local Authority transactions. This role is delegated to a

Finance Business Partner in the absence of the Technical Accountant.

- 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 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.
- 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 2019/20 will be presented to the Audit and Governance Committee for scrutiny and then Cabinet as soon as possible after the end of the current 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 2020/21.
- 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 headline rate of UK Consumer Price Inflation remained unchanged in November 2019 at 1.5% year-on-year, the same as October 2019, as accommodation services and transport continued to pull the level of inflation below the Bank of England target of 2%. Labour market data remained positive. The ILO unemployment rate continued to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9%.

The Quarterly National Accounts for Q3 GDP showed the UK economy expanded by 0.4% following the 0.2% contraction in Q1. Construction rebounded by 1.2%, reversing the fall of the same magnitude in the previous quarter, while growth in the services sector was up 0.5%, beating the 0.1% gain in Q2. Production increased by a more modest 0.1% and agriculture fell 0.1%. On an annual basis, GDP growth continued to fall further below its trend rate, slipping to 1.1% from 1.2%.

Politics continued to play a major role in financial markets over the period as the UK's progress negotiating its exit from the European Union together with its future trading arrangements has driven volatility, particularly in foreign exchange markets. Following the General Election in December, the new government will now progress with achieving Brexit on 31st January 2020, but the subsequent limited Brexit transitional period, which the government is seeking to enforce, will result in continuing economic uncertainty.

The Bank of England maintained Bank Rate to 0.75% in December following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report (formerly the Quarterly Inflation Report) suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The fallout from the US-China trade war continued and is likely to drag on global growth in 2020, however it has been reported that Phase I of the deal will be signed at the White House on 15th January. The US economy continued to perform relatively well compared to other developed nations; however, the Federal Reserve started to unwind its monetary tightening through 2019. The Fed has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP continued to slow.

Slow economic growth in Europe continued and Christine Lagarde took control as the head of the European Central Bank. In her first announcement as ECB chief, Ms Lagarde confirmed that the bank would continue to provide the monetary support needed to bring euro area inflation back towards target.

Financial markets: Financial markets adopted a more risk-on approach over the quarter as equities rallied in expectation of ongoing monetary stimulus from central banks. The Dow Jones ended the 2019 calendar year up 22%, while the FTSE 100 and FTSE 250 jumped on the UK general election result with the former gaining 12% during 2019 and the latter around 25%.

Gilt yields remained volatile over the period. From 0.28% at the end of September, the 5-year benchmark gilt rose to 0.60% by the end of December. There were rises in the 10-year and 20-year gilts over the same period, with the former climbing from 0.48% to 0.82% and the latter from 0.88% to 1.24%. 1-month, 3-month and 12-month SONIA (Sterling Overnight Index Average) bid rates averaged 0.63%, 0.76% and 0.93% respectively over the period.

The US yield curve returned to 'normal' over the period with 2-year ending 2019 at 1.56% and the 10-year at 1.91%. German bunds continued to remain firmly negative with the 10-year

Credit background: Credit Default Swap (CDS) spreads fell over the quarter. Non-ringfenced bank NatWest Markets plc CDS fell to 50 basis points at the end of December from over 80bp in September, while for the ringfenced entity, National Westminster Bank plc, the spread fell to around 30bp. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 29 and 50bp at the end of the quarter.

Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative.

Moody's revised HSBC Bank's outlook to negative from stable as it expects restructuring costs to negatively impact net income over the next year or two.

The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

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 2019	March 2020	June 2020	Sept 2020	Dec 2020	March 2021	June 2021	Sept 2021
Upside Risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside Risk	0.50	0.75	0.75	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 0.75% 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 2019/20, 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 minimum investment limit will be maintained in 2020/21.

9.0 FUTURE SIGNIFICANT EVENTS

9.1 The Council continues to own two leisure centres, Hood Park Leisure Centre in Ashby and Hermitage Leisure Centre in Whitwick, Coalville, following the outsourcing of the provision of these centres in May 2019. Under the new contract with Everyone Active, the Hermitage site will close and a new replacement facility in Coalville (funded by the Council) opened in March 2022. The funding of the build of this new facility internal borrowing requirement comes after we have built the leisure centre.

9.2 The self-financing of the HRA was presented to Cabinet on 13 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, HRA surpluses have been set aside in a Loan Redemption Reserve for the purposes of repayment of the first two maturity loans when they mature. This reserve now has the £13m needed to repay these loans in when they mature in March 2022. Last year, Council approved a more flexible approach to using surpluses, which means we can use them to invest in capital improvements, new housing stock, service improvements or the repayment of debt. In response, we are continuing to put surpluses into the debt repayment reserve, but expect to draw upon those reserves when they are needed to fund projects. The existing two annuity loans will continue to be repaid as required until they are paid off in 2021 and 2032.

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:

	31.03.19 Act £m	31.03.20 Forecast £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m	31.03.24 Forecast £m	31.03.25 Forecast £m
General Fund CFR	16.0	18.2	35.1	41.2	41.0	40.5	40.2
HRA CFR	72.9	71.8	70.6	56.4	55.2	54.0	52.7
Total CFR	88.9	90.0	105.7	97.6	96.2	94.5	92.9
Less: External Borrowing	81.2	80.1	79.0	64.8	62.6	59.8	58.6
Internal Borrowing	7.7	9.9	26.7	32.8	33.6	34.7	34.3
Less: Usable Reserves	38.4	40.9	145.4	20.9	17.3	15.1	13.6

Less: Working Capital Estimate	(16.8)	(15.3)	(13.8)	(12.3)	(10.8)	(9.3)	(9.3)
Investments or (New Borrowing)	47.5	46.3	25.5	0.4	-5.5	-10.3	-11.4

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 and subsequently outsourced to Everyone Active in May 2019.

10.3 The Leisure Project expenditure is scheduled between July 2019 and March 2022 and this expenditure will be funded by internal borrowing. The effect of this is that there is less cash available for investment by 31 March 2022 and a borrowing requirement arising in March 2023. The council will continue to assess this forecast position and explore borrowing options closer to this date should the need remain.

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 2019 £m	Portfolio as at 31 Dec 2019 £m
External Borrowing:		
PWLB	72.8	72.2
Local Authorities	1.0	1.0
Banking Sector	3.9	3.9
LOBO Loans	3.5	3.5
<i>Total External Borrowing</i>	<i>81.2</i>	<i>80.6</i>
Other Long Term Liabilities	0.1	0.1
TOTAL GROSS EXTERNAL DEBT	81.3	80.7
Investments:		
Short Term - Managed in- house	39.6	47.1
Long Term - Managed in- house	3.00	3.00
Fund Managers– Managed Externally	0.0	0.0
Pooled Funds-Managed Externally	5.8	12.8
<i>Total Investments</i>	<i>48.4</i>	<i>62.9</i>
NET DEBT	32.9	17.8

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 2020/21.

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 its Treasury Management investment activity is undertaken.

BORROWING STRATEGY 2020/21

At the 31 March 2020, the Council will hold loans totalling £80.1m (£71.6m HRA and £8.4m General Fund). This is a decrease of £1.2m on the previous year (£72.9m 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 13 March 2012 in the "Housing Revenue Account (HRA) Business Plan".

The balance sheet forecast in paragraph 10.1 shows that the council does not expect the need to borrow in 2020/21. Borrowing may be required by 2021/22 should the council wish to maintain its MIFID status which requires an investment balance of £10m at any one time. The Council has a need to borrow in 2022/23 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 2021/22 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 2021/22, 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 of borrowing: 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 the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive options. The Council will look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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 will be required to provide bond investors with a 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 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 2020/21 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 2020/21 authorised borrowing limit of £118m, which is line with the prudential indicators.

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.

DEBT RESCHEDULING STRATEGY 2020/21

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. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

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.

ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2020/21

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 10.1.

From 2020/21 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 2022/23 and 2023/24 and movements in reserves in the revenue budget. However, we intend to maintain investment balances 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 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is 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 2020/21. This is especially the case for the estimated £2.5m to £5m 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 underestimated 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
Lloyds Fixed Deposits	£3m 13 months				
Pooled Funds and real estate investment trusts	£6m per fund				

The above table must be read in conjunction with the notes below:

Operational bank account Lloyds Bank: The Council's own bank, will be subject to the limits in the above table for investment balances, but also accommodate necessary short-term cash management balances within its bank account for periods no longer than 7 days.

These balances are not classed as investments, but are still subject to the risk of a bank bail-in, and operational balances will therefore be kept at no more than £5m.

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 solely 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.

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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

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 £6 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, 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: the following additional steps have been 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.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

APPORTIONMENT OF INTEREST STRATEGY 2020/21

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 1 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 2020/21, the budgeted investment income is £300,700 and is apportioned as follows: £190,800 General Fund and £109,900 Housing Revenue Account. Any over or under achievement of investment income is apportioned on this basis, at the end of the financial year.

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 Programme report being taken to Cabinet on 10 December 2019.

Capital Expenditure	2019/20 Approved £m	2019/20 Revised £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m
Non-HRA	12.708	4.920	12.920	8.104	2.062
HRA	13.110	7.819	10.164	12.624	11.499
Total	25.818	12.739	23.084	20.728	13.561

Capital expenditure will be financed or funded as follows:

Capital Financing	2019/20 Approved £m	2019/20 Revised £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m
Capital receipts	0.411	0.034	4.069	0.400	0.400
Government Grants	0.821	0.870	0.870	0.870	0.870
Major Repairs Reserve	3.378	2.900	3.870	3.947	3.246
Reserves	5.132	2.689	0	0	0
Other Contribution-S106	0.957	1.109	0.255	0.046	0.004
Right to Buy Receipts	2.167	0.627	3.836	5.587	2.781
Grants - Other	0	0.027	0	0	0
Revenue contributions	1.728	1.728	1.049	2.444	4.868
Total Financing	14.595	9.984	13.949	13.294	12.169
Unsupported borrowing	11.224	2.755	9.135	7.434	1.392
Total Funding	11.224	2.755	9.135	7.434	1.392
Total Financing and Funding	25.818	12.739	23.084	20.728	13.561

3. Capital Financing Requirement

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

Capital Financing Requirement	2018/19 Actual £m	2019/20 Est £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Non-HRA	16.0	18.2	35.1	41.2	41.0	40.5
HRA	72.9	71.8	70.6	56.4	55.2	54.0
Total CFR	88.9	90.0	105.7	97.6	96.2	94.5

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 found in the capital report presented to Cabinet at the same meeting as this strategy.

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 31 March	2019 Act £m	2020 Est £m	2021 Est £m	2022 Est £m	2023 Est £m
Borrowing	81.245	80.117	78.963	64.783	62.576
Transferred Debt	0.104	0.097	0.090	0.082	0.075
Total Debt	81.349	80.214	79.053	64.865	62.651

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 authority, 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	2019/20 Approved £m	2019/20 Revised £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m
Borrowing	130.414	115.547	138.380	158.736	136.881
Other Long-term Liabilities	0.500	0.500	0.500	0.500	0.500
Total	130.914	116.047	138.88	159.236	137.381

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	2019/20 Approved £m	2020/20 Revised £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m
Borrowing	132.414	117.547	140.380	160.736	138.881
Other Long-term Liabilities	0.700	0.700	0.700	0.700	0.700
Total	133.114	118.247	141.08	161.436	139.581

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	2018/19 Actual %	2019/20 Approved %	2019/20 Revised %	2020/21 Est %	2021/22 Est %	2022/23 Est %
Non-HRA	5.69	6.07	5.52	6.45	13.33	16.73
HRA	12.09	12.16	12.52	12.24	11.68	9.94
Total (Average)	9.27	9.37	9.21	9.48	12.43	12.87

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. The HRA financing costs will fall in 2020/23 following repayment of £13m of loans, which reduces interest costs by £339k.

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	2019/20 Approved £	2019/20 Revised £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Increase in Band D Council Tax	4.49	3.66	6.44	8.26	8.92
Increase/(Decrease) in Average Weekly Housing Rents *	-0.12	-0.13	4.31	15.99	23.25

* 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.

Similarly, the proportion of rents spent on the HRA capital programme is increasing as we have planning to spend a greater amount on purchasing or building new council properties than in previous years.

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 31/03/19 %	2019/20 Approved %	2020/21 Revised %	2021/22 Estimate %	2022/23 Estimate %	2023/24 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 2020/21 %	Upper Limit for 2020/21 %
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.

	2019/20 Approved £m	2020/21 Revised £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Upper Limit	12	12	5	5	5

The reduction of the Upper Limit from 2020/21 onwards is in line with the capital expenditure expected on the leisure project and to ensure liquidity is maintained.

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 2020/21, 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, based on 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 2020/21:

- 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 2020.
- 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 31 March 2020, the 2020/21 budget for General Fund MRP will be £748,762.44. The HRA will repay £1,153,676 of debt in 2020/21 through the two annuity loans.

Title of Report	USE OF ARTICLE 4 DIRECTION: HOUSE IN MULTIPLE OCCUPTION IN KEGWORTH	
Presented by	Councillor Robert Ashman Planning and Infrastructure Portfolio Holder	
Background Papers	National Planning Policy Framework: National Planning Practice Guidance: Housing Act 2004:Part 2 Town and Country Planning (General Permitted Development) (England) Order 2015: Evidence Gathering – Housing in Multiple Occupation and possible planning responses; Department for Communities and Local Government 2008	Public Report: Yes Key Decision: Yes
Financial Implications	<p>The cost of preparing and consulting on a possible Article 4 will be met from existing resources.</p> <p>As outlined in the report making an ‘immediate’ Article 4 could result in a cost claim against the Council in the event that planning permission is refused where it is proposed to create a small HMO. Any such additional costs would need to be met from the contingency budget held by the Planning Service.</p>	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	Detailed in the report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To consider the introduction of an Article 4 Direction in Kegworth prohibiting the change of use of a dwelling to a small House in Multiple Occupation.	
Reason for Decision	In accordance with the Council’s constitution, making an Article 4 Direction falls within the remit of Cabinet.	
Recommendations	THAT CABINET: <ol style="list-style-type: none"> 1. APPROVE THE MAKING OF A NON-IMMEDIATE ARTICLE 4 DIRECTION WHICH WILL BE APPLIED TO THE VILLAGE OF KEGWORTH TO REMOVE PERMITTED DEVELOPMENT RIGHTS FOR THE CHANGE OF USE OF A DWELLING HOUSE (C3 USE) TO SMALL HOUSES IN MULTIPLE OCCUPATION (C4 USE) (APPENDIX A), 2. THAT MEMBERS ADVISE AS TO WHETHER THE NON-IMMEDIATE DIRECTION SHOULD BE BROUGHT IN TO 	

	<p style="text-align: center;">FORCE AFTER 12 MONTHS OR 18 MONTHS;</p> <p>3. THAT NOTICE OF THE ARTICLE 4 DIRECTION (APPENDIX B), IS PUBLICISED FOR A PERIOD OF AT LEAST SIX WEEKS TO ALLOW MEMBERS OF THE PUBLIC TO SUBMIT COMMENTS ON THE PROPOSALS,</p> <p>4. RECEIVE A FURTHER REPORT FOLLOWING THE END OF THE REPRESENTATION PERIOD TO CONSIDER ANY COMMENTS RECEIVED AND TO DECIDE WHETHER TO CONFIRM THE NON-IMMEDIATE ARTICLE 4 DIRECTION.</p>
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1. BACKGROUND

- 1.1 Kegworth Parish Council have expressed concerns about the high concentration of Houses in Multiple Occupation (HMO) in the village of Kegworth, and the negative impact they are having on its character, well-being and housing profile. They have therefore requested that the District Council consider issuing an Article 4 direction so as to manage the creation of new small HMOs within the village.

2. WHAT IS A HOUSE IN MULTIPLE OCCUPATION (HMO)

- 2.1 A HMO is a property rented out by at least 3 people who are not from 1 'household' (for example a family) but share facilities such as a bathroom and kitchen. This includes properties occupied as shared houses and student houses. Over recent years, occupants of this form of accommodation has expanded to now include young professionals and single workers.
- 2.2 HMOs are recognised as meeting an important and specific housing need, for example, they provide a form of rented, affordable accommodation at a time when many people cannot afford to buy a property. They also provide a suitable form of accommodation for students and others who may only want to stay in the area on a temporary basis.
- 2.3 However high concentrations of HMOs can present challenges to the future sustainability of neighbourhoods and impact on their character, amenity and well-being.

A report prepared by ECOTEC Research & Consulting Limited on behalf of Communities and Local Government in 2008 summarises the potential negative impacts as including:-

- Noise and anti-social behaviour;
- Imbalanced and unsuitable communities;
- Negative impacts on the physical environment;
- Pressures upon parking provision;
- Growth in private rented sector at the expense of owner-occupation;
- Loss of some forms of community facilities and infrastructures.

However the report also highlights that there are positive impacts associated with a student population including:-

- Increase in a range of goods and services, and available social/leisure attractions;
- Increased demand for public transport;
- Economic benefits to the local economy, such as students contributing to local spending power, a skilled workforce and a flexible labour;
- Provision of and access to lifelong learning opportunities and sporting and cultural facilities;
- Demand for private rented properties can lead to housing stock improvements and properties brought back into use;
- Improvement to local environment and regeneration benefits.

3. RULES IN RELATION TO HMOs

- 3.1 The management of HMOs are subject to a range of national mandatory regulations, which are implemented by different parts of the Council, and there are instances when the different regulations are not always consistent. For example, a property rented to 5 or more people who form more than 1 household needs to have obtained a mandatory HMO license (although planning permission is not needed). An application for a license is submitted to the Council's Environmental Protection Team for determination and if approved would last five years. The purpose of this license is principally to ensure that the residential accommodation is safe, well managed and of good quality, with a particular focus on safety.
- 3.2 There are also instances when planning permission is needed for a HMO. Planning permission is needed for a HMO where more than six unrelated people are sharing (a large HMO) and will always be required, regardless of its existing use or location. It should be noted that the definition of a HMO in this instance is slightly different to that which requires a license.
- 3.3 However planning legislation does allow a family house (C3 use) to change to a 'small HMO' (C4 use) without the need for planning permission, and vice versa. A small HMO is where there are between three and six people who comprise more than one household sharing basic amenities such as the kitchen. It is these small HMOs which can be created without requiring planning permission which Kegworth Parish Council has concerns about.

4. THE USE OF ARTICLE 4 DIRECTIONS

- 4.1 An Article 4 direction enables the local planning authority to withdraw specific permitted development rights across a defined area. Effectively it would mean that a particular form of development (in this instance a change of use from a residential dwelling to a small HMO) cannot be carried out under permitted development and therefore needs planning permission. However it cannot be applied retrospectively to changes of use which have been permitted (where required), commenced or which has already been carried out at the time an Article 4 is issued.
- 4.2 The withdrawal of permitted development rights does not necessarily mean that planning consent would not be granted, nor does it provide a presumption against such development. It simply means that an application has to be submitted, so that the Local Planning Authority can examine the plans in detail. Each application will then be determined on its own merits having regard to all material considerations. This planning control would be in addition to the planning controls that currently exist in relation to the creation of large HMOs as outlined above.
- 4.3 However, where a property is occupied by two unrelated individuals, or if occupied by the resident owner with no more than 2 lodgers, the property will not be considered an HMO. Using a property in such a way will not be regarded as a material change of use from a single family dwelling house/flat, and planning permission will not be required.
- 4.4 National Planning Policy Practice Guidance provides advice on the use of Article 4 Directions, which should be limited to situations where necessary to protect local amenity or the wellbeing of the area. An Article 4 Direction can cover a geographic area, remove permitted developments in relation to the change of use of land, and remove rights on a permanent basis.

5 HMOS IN KEGWORTH – WHAT IS THE ISSUE?

- 5.1 As outlined in paragraph 2.3 it is generally recognised that a concentration of HMOs can harm residential amenity, particularly through increased noise nuisance, anti-social behaviour, incidences of crime and adverse impacts on the physical environment. This harm is largely due to:

- an imbalance in the mix of the population, with higher proportions of single people, undermining objectives to create mixed communities; and
- a high proportion of privately rented accommodation with short-term lets where the standards of upkeep of the property are generally lower.

- 5.2 An intensification of HMO accommodation can also harm the local housing market, particularly when family accommodation is used for HMOs as this restricts access to such accommodation for those seeking to purchase.
- 5.3 The use of Article 4 Directions to remove permitted development rights is a tool used by many local authorities to help them to manage the impact from HMOs. Locally Charnwood Borough Council have an Article 4 Direction in place in respect of Loughborough, and Leicester City also has one in place. Both of these directions are as a result of a proliferation of HMOs linked to universities.
- 5.4 Whilst there is not a university within the district, Nottingham University has a campus at Sutton Bonnington which is approximately 2 miles (car travel) from Kegworth. Kegworth Parish Council believes that students attending the University create much of the demand for HMOs in Kegworth. However, there may also be other pressures including the significant employment development taking place at the East Midlands Gateway which lies approximately 2 miles (car travel) to the west of the village
- 5.5 In this particular instance, Kegworth Parish Council has identified a number of concerns they have regarding the proliferation of HMOs within the village. In particular, that HMOs are resulting in:
- A lack of available housing for first time buyers and families;
 - Car parking issues because of insufficient parking provision within the curtilage of properties. This results in on-street parking issues such that people may not be able to park close to where they live, pavements being blocked and difficulty for other vehicles (e.g. waste collection lorries) accessing;
 - Impact upon local amenity such as the unkempt appearance of properties, on-street refuse and anti-social behaviour; and
 - Impact upon the Kegworth Conservation Area.
- 5.6 Officers have looked in to the various concerns raised and to date have not been able to find any specific demonstrable evidence to link amenity type issues directly to HMOs. For example, it has been observed on site that higher levels of on street parking can be found within the vicinity of some HMOs particularly in the University term time, and it is a given that the more intense use of these properties does bring about higher car ownership levels. However, any problems associated with parking may also be as a result of overall higher car ownership levels, 'flyparking' (users of the airport parking their cars in Kegworth), 'car sharing' for workers in Nottingham, parking from local employers and also occupants at Kegworth's two hotels.
- 5.7 On the issue of whether there is a concentration of HMOs in Kegworth, officers have undertaken an exercise to identify and map the existing distribution of licensed HMOs and properties occupied exclusively by students (as such households are exempt from Council Tax). Data has been drawn largely from Environmental Health and Council Tax records. It is appreciated that some of the information is not directly comparable but it does provide a "profile" of where such properties are located and the concentrations of this form of accommodation that can be found in Kegworth. It is also possible that records will not provide a completely comprehensive record of all HMOs, as for example, there will be small HMOs in existence that are not subject to licensing or planning regulations.
- 5.8 As of November 2019, there were only 21 HMOs within the district overall that have been granted a licence. However, 14 of these, which equates to 67% of the district total, are

located within Kegworth. There are a further 16 properties currently waiting for their licences, and 14 of which are in Kegworth. Assuming that all of these were to be approved the number of HMOs in Kegworth would represent 76% of the districts total.

- 5.9 Council Tax Records (July 2019), show there to be 21 HMOs within Kegworth. For the purposes of Council Tax a HMO is recorded as a shared household property where there are only 2 or more occupants, shared communal areas and locked access to rooms.
- 5.10 For the period to December 2019, Council Tax Records show there to be 173 properties within Kegworth wholly occupied by students.
- 5.11 Having taken measures to ensure there is no double counting, this information identifies there to be a total of 174 HMOs and/or student properties within Kegworth. Appendix C identifies the streets where these properties are located, and provides an illustration of where higher concentrations of HMOs can be found, for example within Station Road, Wylvle Crescent, Hollands Way, London Road and Pritchard Drive.
- 5.12 Taking into account the number of properties recorded in Kegworth during the 2011 Census (1,588 properties), and the subsequent number of properties that have been built since and up to October 2019 (223 new homes), student/HMO properties represent just under 10% of all properties within Kegworth.
- 5.13 Data from the 2011 Census shows that there was already a significantly higher student population living in Kegworth than the rest of the district. When looking at the 'Economic Profile' of Kegworth's residents, the number of full time students was recorded as 317 (11.6%) compared to 2,611 (3.8%) of residents in the district as a whole.
- 5.14 Contact has also been made with the University of Nottingham, given the close proximity of its Sutton Bonnington Campus. The university have advised that for the academic year 2018/2019, 604 students provided a term time address in Kegworth. The numbers in the above paragraph are likely to include non-Nottingham University students as well, so this latest information suggest that there has been a significant increase in student residents in recent years. Looking forward, the university has recently announced its intention to increase the number of students at the Veterinary School by moving to a two-year intake in the new academic year (September 2019 and April 2020). It is reasonable to assume that some of these additional students may look to live in Kegworth due to its proximity to the campus and its good range of services and facilities further increasing the demand for HMO type accommodation.
- 5.15 There is also anecdotal evidence from the Parish Council that people employed at the nearby East Midlands Gateway development are residing in HMOs in Kegworth, and there is also significant interest being received from potential workers, particularly around the time when recruitment is being undertaken by companies operating at this site.
- 5.16 Therefore in this instance, there is evidence that there are a significant number of HMOs in Kegworth, associated with students as well as elements of the working population. Furthermore, it would appear that student and HMO occupation of the general housing stock in the village is on the increase, and it is likely that this trend will continue for the foreseeable future.
- 5.17 Informal discussions with estate agents also suggest that there is an on-going pressure on the availability of family housing, as they have suggested that homeowners looking to rent out a property are more likely to do so as a HMO rather than a family home, as the rental levels are significantly higher.
- 5.18 It is considered that the concentration of HMOs and student properties is having a negative impact on the housing profile and the character and well-being of Kegworth, including the increase in the percentage of transient occupiers and consequently a loss of residents with a long-term stake in the community. It is also considered likely that this is a trend that will

continue in the future, particularly with the increased intake in students at the Sutton Bonnington campus.

6.0 IS AN ARTICLE 4 JUSTIFIED?

6.1 As outlined above, officers have not been able to substantiate with any clear evidence that there are specific amenity related issues in Kegworth that can be specifically attributed to the number of HMOs.

6.2 Based on the available evidence there is a concentration of HMOs in Kegworth compared to the rest of the district. It would appear that this is largely as a result of the proximity of Kegworth to the Sutton Bonnington campus.

6.3 The Planning Practice Guidance is clear that an Article 4 can be used to protect local amenity OR the wellbeing of the area. In this instance, there are concerns that the concentration of HMOs is affecting the wellbeing of the area. Therefore, an Article 4 Direction would be justified.

7.0 PROPOSED ARTICLE 4 DIRECTION

7.1 On balance, it considered that there is a case to introduce an Article 4 prohibiting the change of use of a dwelling house to a small HMO.

7.2 A Kegworth-wide approach is recommended and will provide a blanket approach to the village of Kegworth. The advantages of this approach are that it would ensure consistency and more comprehensive management of HMO distribution in the future. Furthermore, if only parts of the village were included within the Article 4 direction, rather than addressing the issue it would simply result in displacement of HMOS to other areas.

8.0 WHAT TYPE OF ARTICLE 4 DIRECTION?

8.1 There are two types of Article 4 directions that can remove permitted development rights to change from a dwelling house to a small house in multiple occupation, namely:

- A non-immediate direction where permitted development rights are only withdrawn upon confirmation of the direction by the local planning authority following local consultation.
- Immediate directions can withdraw permitted development rights straight away and can be used if the local planning authority considers that the development to which the direction relates would be prejudicial to the proper planning of the area or constitute a threat to the amenities of the area. Should this approach be the one that is chosen, the order would be made and confirmed at the same time.

Advantage/Disadvantage of an Immediate Direction

8.2 The key advantage of making an immediate direction is that its provision are brought in to effect immediately, thus enabling the concentration issues to be considered straightaway.

8.3 However, the key disadvantage is that an immediate Article 4 Direction means that the local planning authority can be liable to pay compensation to those whose permitted development rights have been withdrawn. Compensation claims can be made against the District Council by landowners and developers where the council:

- Refuse planning permission for development which would have been permitted development if it were not for an Article 4 Direction; or
- Grant planning permission subject to more limiting conditions than the permitted development rules would normally allow.

- 8.4 Compensation can also be claimed for abortive expenditure or losses and damages directly related to the withdrawal of permitted development rights, including abortive expenditure' for works carried out under the permitted development rights before they were removed, as well as the preparation of plans for the purposes of any work not then able to be undertaken. Compensation may be payable in relation to planning applications which are submitted within 12 months of the effective date of the directions.
- 8.5 Having sought legal advice, it has been confirmed that in the event of a claim for abortive expenditure the onus would be upon an applicant to demonstrate what the financial impact has been. It has also been advised that it would not be possible to attach a cost to possible claims at this time; there is no precedent for what it might be as it would depend upon the individual circumstances of the claim. There is the potential for any compensation claims (individually or cumulatively) to be significant. These would fall to the district council as local planning authority to pay.

Advantage/Disadvantage of a Non-Immediate Direction

- 8.6 The key advantage of a non-immediate direction is that it removes any financial risk to the local planning authority.
- 8.7 The disadvantage of issuing a 'non-immediate direction' is that it would, to some extent, negate the impact of the Article 4 Direction as it could encourage more changes of use in the intervening period.

Approaches Undertaken by Other Local Authorities

- 8.8 The use of a non-immediate Article 4 Direction is the favoured approach in the majority of cases identified by officers where an Article 4 has been issued in respect of small HMOs. For example, non-immediate Article 4 Directions have been introduced in Loughborough, Nottingham City, Birmingham City and Leicester City. It would appear that this approach was undertaken to protect the Council from compensation claims, which had the potential to be considerable.
- 8.9 In the case of Trafford Council an immediate Article 4 Direction was used. Officers have been in contact with representatives of the Council who have advised that in relation to the immediate HMO Article 4 Direction, it has been in operation for over 18 months and no compensation claims have been made. However, the circumstances relating to the Article 4 Direction are rather different to that being experienced by Kegworth, in that it was prompted by the launch of the new University Academy 92 ('UA92') in Trafford which did not open until September 2019. However, the Article 4 Direction was made in December 2017 and intended to mitigate the potential impact from the arrival of the significant number of students attending the proposed 'UA92', and therefore a potential rise in the number of HMOs. The fact that the Article 4 Direction was made nearly 2 years prior to the opening in 'UA92' could explain why no compensation claims have been received.

Conclusions – Immediate or Non-Immediate Direction?

- 8.10 Essentially the decision as to whether to make an immediate or non-immediate Article 4 Direction comes down to a balance between the potential financial risk to the council of an immediate direction as compared to the risk of an increase in more HMO in the period before a non-immediate direction comes in to effect. Understandably, the Parish Council would favour an immediate Article 4 direction.
- 8.11 A further issue which needs to be considered is the policy basis on which planning applications would be determined following confirmation of an Article 4 Direction.
- 8.12 The current adopted Local Plan includes a policy designed to protect the amenity of an area (Policy D2 - Amenity). However, there are no policies regarding concentration of HMOs. Whilst Policy D2 could be used, there is not demonstrable evidence to justify the

Article 4 Direction on this basis alone, although in individual cases it may be possible to demonstrate that a proposed HMO would represent an impact upon the amenity of the area. Conversely, there is evidence regarding concentration but there is no policy basis which could then provide a reason for refusing an application.

- 8.13 The Local Plan Review will give consideration to the inclusion of a policy in respect of HMOs. The weight to be attached to any policy in determining any planning applications would depend upon the stage reached in the Local Plan preparation process. Full weight would only be achieved when the Local Plan has been adopted.
- 8.14 Regulations allow a non-immediate direction to be brought in to force between 12 months and 24 months. In order to ensure that the Local Plan Review has progressed to a stage where a policy could be given at least some limited weight, officers suggest that it would be prudent for a non-immediate direction to not come into place for a period of 18 months (i.e. August 2021).
- 8.15 If members consider that a period of 18 months is too long, then a shorter period can be chosen, but it does involve more risk as there would be a very limited policy basis to which weight could be attributed in determining any planning applications.
- 8.16 On balance, in view of the unquantifiable financial risk to the District Council, it is recommended that a 'non-immediate direction would be the most appropriate means to implement an Article 4 Direction in order to avoid potentially costly compensation claims.. During whatever period is chosen for the non-immediate direction, landlords of existing small HMOs can be asked to declare this and provide details of the address of the property and any evidence to show that it is an existing HMO. This would protect such property owners from complaints that a HMO has been created contrary to the Article 4 Direction.

9.0 NEXT STEPS

- 9.1 If Cabinet agrees to make the proposed non-immediate Article 4 Direction under Schedule 3 of the Town and Country Planning (General Permitted Development)(England) Order 2015, this will remove permitted development rights for the change of use from dwellings houses (C3 use class) to houses in multiple occupation (C4 use class) that can accommodate up to 6 people.
- 9.2 Following the making of such a direction, local authorities are required to publicise the direction via the following means;
- Local advertisement of the direction;
 - Display of a minimum of two notices in different locations for a minimum period of six weeks;
 - Notify owners and occupiers within the affected area (these regulations can be relaxed where this would be impracticable);
 - Send the above documentation to the Secretary of State;
 - Provide a period of a minimum of 21 days within which representations concerning the direction can be made (in this instance it is suggested that 6 weeks consultation be allowed in accordance with the standard approach to consultation on planning policy matters);
 - The local authority must specify the date on which it is proposed that the direction will come into force, which must be at least 28 days but no longer than 2 years, from the date that the consultation starts. In addition, although not a statutory obligation, it is considered good practice for notice of the direction to be published on the local authority website.

- 9.3 The proposed statutory notice to advertise the Article 4 Direction (attached as Appendix B), provides details of the consultation dates. It also provides the potential date for the Article 4 Direction to come into force, should it be confirmed. The proposed dates allow for a confirmation of a non-immediate direction, to negate the potential for compensation claims.
- 9.4 Following this consultation period and after considering any comments received, a further report to Cabinet will be required, for consideration to be given to any comments and to seek approval to confirm the Article 4 Direction if appropriate.

Policies and other considerations, as appropriate	
Council Priorities:	Our communities are safe, healthy and connected Local people live in high quality, affordable homes Developing a clean and green district
Policy Considerations:	None Identified
Safeguarding:	None Identified
Equalities/Diversity:	An Equality Impact Assessment has been undertaken
Customer Impact:	Making an Article 4 Direction would require some customers to submit a planning application, which would potentially entail additional costs.
Economic and Social Impact:	Making an Article 4 Direction will help to protect the social cohesiveness of Kegworth.
Environment and Climate Change:	Making an Article 4 Direction could help to protect the local amenities of Kegworth
Consultation/Community Engagement:	The proposed Article 4 Direction would be subject to consultation before being confirmed.
Risks:	As set out in the report, making an immediate direction represents a potential cost risk to the Council. Making a non-immediate direction would remove this risk. Where a planning application for a HMO is submitted because of the Article 4 Direction being in place and that application is then refused, there is no guarantee that a refusal would be supported in a subsequent appeal.
Officer Contact	Chris Elston Head of Planning and Infrastructure chris.elston@nwleicestershire.gov.uk

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APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

HOUSE IN MULTIPLE OCCUPATION (HMO) ARTICLE 4 DIRECTION

**TOWN AND COUNTRY PLANNING (GENERAL PERMITTED DEVELOPMENT)
(ENGLAND) ORDER 2015 AS AMENDED**

**DIRECTION MADE UNDER ARTICLE 4(1) OF THE TOWN AND COUNTRY
PLANNING (GENERAL PERMITTED DEVELOPMENT) (ENGLAND) ORDER 2015
(AMENDED)**

WHEREAS NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL being the appropriate local planning authority within the meaning of article 4(5) of the Town and Country Planning (General Permitted Development) Order 2015 (“the Order”), are satisfied that it is expedient that development of the description set out in the Schedule 1 below should not be carried out on the land shown edged red on the attached plan at Schedule 2 (“the Land”), unless planning permission is granted on an application made under Part III of the Town and Country Planning Act 1990 as amended,

NOW THEREFORE the said Council in pursuance of the power conferred on them by article 4(1) of Order hereby direct that the permission granted by article 3 of the said Order shall not apply to development on the said land of the description set out in the Schedule 1 below:

This Direction is made under article 4(1) of the said Order and in accordance with the Order shall come into force on the 4th day of February 2020.

SCHEDULE 1

Development consisting of a change of use of a building to a use falling within Class C4 (houses in multiple occupation) of the Schedule to the Town and Country Planning (Use Classes) Order 1987 as amended, to accommodate between three and six people, from a use falling within Class C3 (dwelling houses), being development comprised within Class L) of Part 3 of Schedule 2 of the Town and Country Planning (General Permitted Development) (England) Order 2015 and not being development comprised in any other Class.

Made under the Common Seal of North West Leicestershire District Council this 4th day of February 2020.

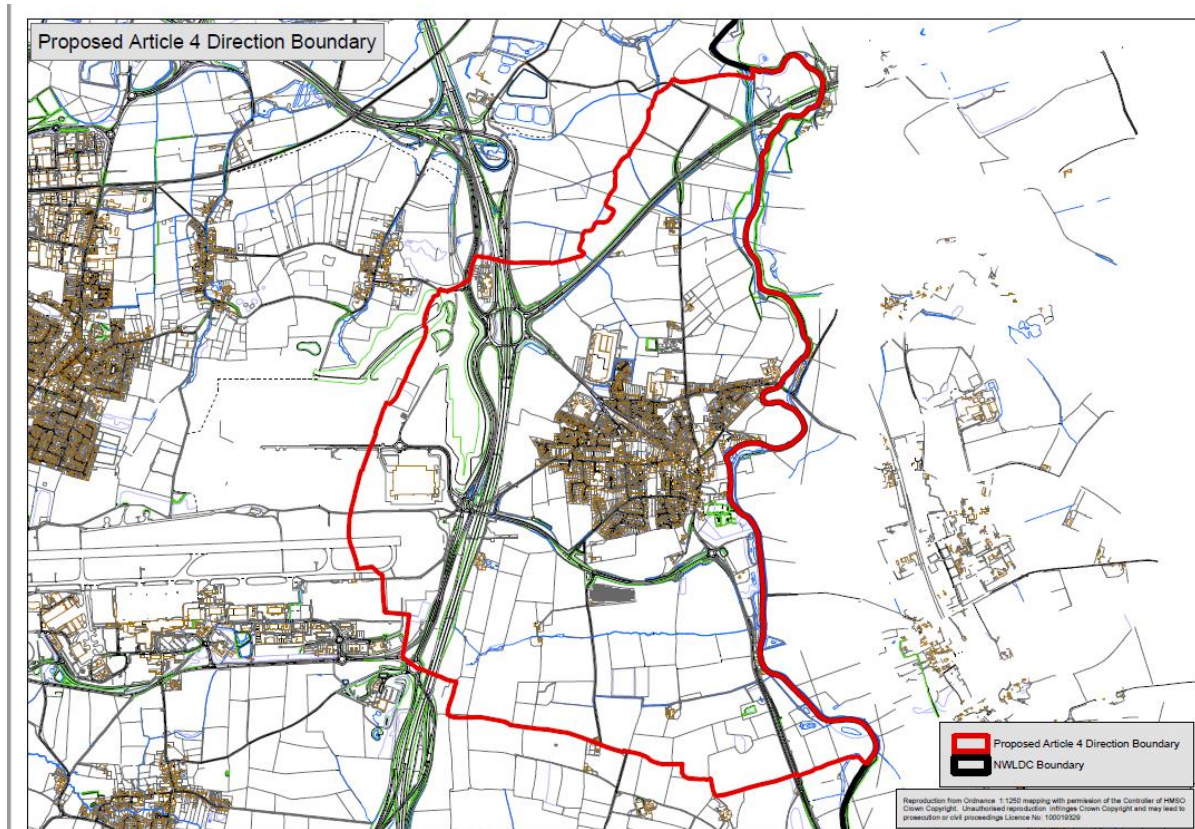
The Common Seal of the Council was affixed to this Direction in the presence of:

.....

Authorised Officer

SCHEDULE 2: PLAN

The area delineated and shown edged red defines the extent of the attached Article 4 relating to Houses of Multiple Occupation.



APPENDIX B

STATUTORY NOTICE

NOTICE OF INTENDED ARTICLE 4 DIRECTION TO BE MADE TO THE VILLAGE OF KEGWORTH UNDER ARTICLE 4 (1) OF THE TOWN AND COUNTRY PLANNING (GENERAL PERMITTED DEVELOPMENT) (ENGLAND) ORDER 2015 (“the Order”)

KEGWORTH ARTICLE 4 DIRECTION 2019

North West Leicestershire District Council made a Kegworth wide Article 4 (1) Direction on 4 February 2020, under Article 4 (1) of the Town and Country Planning (General Permitted Development) (England) Order 2015. The Direction relates to development consisting of a change of use of a building from a use falling within Class C3 (dwellinghouses) of the Schedule to the Town and Country Planning (Use Classes) order 1987 (as amended) to a use falling within Class C4 (house in multiple occupation) of that Schedule, and removes permitted development rights for this type of development from the date when the Direction comes into force. Planning permission will therefore be required for change of use from Class C3 to Class C4 once the Article 4 Direction is in force.

The Kegworth Article 4 Direction applies to the area outlined in red on the attached Plan. A copy of the Direction, map and public report can be viewed at INSERT WEBPAGE ADDRESS or at the North West Leicestershire District Council Offices, Whitwick Road, Coalville, Leicestershire, LE67 3FJ.

Representations may be made concerning the Article 4 Direction between 17 February 2020 and 30 March 2020.

If you wish to make representations you may do so by using our online response form or you can download a MS Word version of the Consultation Response Form. Completed forms can be returned by email to: planning.policy@nwleicestershire.gov.uk or by post to: Planning Policy, North West Leicestershire District Council, Whitwick Road, Coalville, Leicestershire, LE67 3FJ.

Any representations must be made by 5pm on 30 March 2020.

If after considering any representations received, North West Leicestershire District Council decide to confirm the Article 4 Direction, it is proposed that the Article 4 Direction will come into force on 11 August 2021.

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APPENDIX C: HMOs/Student Properties in Kegworth

Street Address	Total No. of HMOs/Student Properties
Bedford Close	5
Borough Street	3
Borrowell	1
Bridge Fields	3
Broadhill	1
Burley Rise	5
Church Gate	4
The Croft	2
Derby Road	8
Dragwell	2
Frederick Avenue	1
Gerrard Crescent	2
Heafield Drive	2
High Street	6
Hillside	2
Hollands Way	13
Howard Drive	3
Hoyte Drive	3
Kirk Avenue	1
Langley Drive	1
Leatherlands	1
London Road	9
Long Lane	1
Mill Lane	6
Old Forge Close	1
Packington Hill	7
Pleasant Place	3

Pritchard Drive	8
Market Place	3
Moore Avenue	1
Munnmoore Close	2
New Street	5
Nottingham Road	5
Roberts Close	2
Saint Andrews Rise	1
Shepherd Walk	3
Springfield	2
Staffords Acre	1
Station Road	16
Stonehills	1
Sideley	6
Sutton Road	3
Thomas Road	2
Whatton Road	3
Windmill Way	3
Wood Drive	1
Wyvelle Crescent	10

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL



CABINET – TUESDAY, 4 FEBRUARY 2020

Title of Report	LOCAL GOVERNMENT CORPORATE PEER REVIEW REPORT	
Presented by	Bev Smith Chief Executive	
Background Papers	None	Public Report: Yes
		Key Decision: No
Financial Implications	Resources required to implement the action plan will be delivered using existing resources or identified where additional resources are required.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed in the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To update Cabinet on the outcome of the Corporate Peer Review and the proposed action plan in response to the Corporate Peer Review Feedback report.	
Recommendations	<ul style="list-style-type: none"> • THAT MEMBERS NOTE AND ACCEPT THE CORPORATE PEER TEAM'S FEEDBACK AND KEY RECOMMENDATIONS TO THE COUNCIL • THAT MEMBERS APPROVE THE ACTION PLAN IN RESPONSE TO THE PEER REVIEW FEEDBACK 	

1. INTRODUCTION

- 1.1 All Councils are able to access a fully funded sector led Corporate Peer Challenge every four to five years. In June 2019, the Local Government Association (LGA) Peer Review provided the Council with an opportunity to test out and challenge a number of aspects relating to the overall performance and development of the Council. This process is designed to assist the continuous improvement approach adopted across local government and builds on the external Investors in People accreditation achieved in 2018.
- 1.2 The review process was a positive experience for both members, staff and key stakeholders and the outcome will help shape the councils journey of improvement which is part of the councils culture. A full copy of the peer review report is attached together with a proposed action plan which responds to the recommendations and areas for consideration. Many of the recommendations were already identified by the

council as areas of further work such as the scrutiny changes implemented over the last few years.

2. PEER REVIEW PROCESS

2.1 Peer Challenges are delivered by experienced elected members and officer peers and the peers who delivered the peer challenge at North West Leicestershire were:

- Cllr Linda Robinson – former leader of Wychavon District Council
- Nick Tustian – Chief Executive Eastleigh Borough Council
- Ben Lockwood – Director of Finance and Economy Ashford Borough Council
- Karen Edwards Director (Programme and lace) Rushmoor Borough Council
- Daniel Gardner – Local Government Association Adviser

2.2 The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges carried out by the LGA as areas they believe are critical to a councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

2.3 In addition to these areas of focus the Council requested that the peer team consider/ review and provide feedback on the following questions;

- Do we have the capacity to deliver our big ticket items?
- How robust, realistic and ambitious are our plans to be self sufficient?
- What is your view on our approach to being more business like?
- Without a burning platform, how do we ensure we are financially robust to deal with future changes?
- How realistic and ambitious are our plans to improve customer experience?
- Are we on the right trajectory?

2.4 Ahead of the peer challenge the council provided the peer team with a self assessment of our current position which contained key facts, figures and background information. The process was very robust with the peer team carrying out 75 interviews, including a range of council staff, stakeholders, councillors and around 50 staff at the staff fair. The team gathered information and views from over 40 meetings

and visited key sites within the district in addition to research and reading prior to their on site visit which lasted 3 days.

- 2.5 As Members are aware the feedback following the review was very positive, with the peer team highlighting number of recommendations for the Council to consider. By its nature, the Peer Challenge was a snapshot in time and it is recognised some of the feedback may be about things the Council had already recognised and was already addressing.

3. KEY RECOMMENDATIONS

- 3.1 The Peer review team recognised the positive feel to North West Leicestershire District Council and the enthusiastic staff and committed councillors who were striving to do their best for their communities. They also recognised the significant change in culture over the last two years with the new leadership team supported by the achievement of Investors in People accreditation in 2019. They understood the challenges that the District faces with the significant growth agenda, together with the opportunities this brings.

- 3.2 The team recognised
- the strong political commitment to Coalville,
 - the robustness of the Corporate delivery plan in particular the commitment to actions over the next three years.
 - the sound financial position of the authority
 - the strong visible leadership team.
 - positive motivated workforce who are keen to accept the challenges ahead
 - strong sense of values which feel owned by staff and councillors
 - NWL is seen as a trusted partner
 - good progress on the commercial agenda and 'being more business like'

- 3.3 The Council was seen as heading on the right trajectory to continuously improve and achieve its strategic objectives but was still in a transition of change culturally.

- 3.4 The following are the Peer Team's key recommendations to the Council.

1. **Act on the opportunities that vacancies present.** When vacancies arise consider how the role could be redefined and developed to further promote the changed culture and strategic priorities. This could mean closer links across the council to reduce silo working and recognise that everyone contributes to placemaking.
2. **Continue to improve the scrutiny function.** Make it more robust and be seen to be more robust. Explore good practice regarding scrutiny, such as training and make better use of working groups, establishing a forward looking work programme and involve scrutiny early in the decision making progress.

This is an area where there has been significant improvement over the last two years with the development of two scrutiny committees with an enhanced number of meetings, however there is recognition that the council needs to support members in understanding their role and maximising the benefits effective scrutiny can bring to the council.

3. **Be prepared to address the capacity issues and align resources to priorities.** Capacity is stretched in some areas for example finance and digital transformation. Ensure the resources follow the priorities set to deliver what the

council wants. Either put more resources in or reduce what you plan to deliver or adjust the timeframes.

4. **Clarify the councils risk appetite.** What is the amount and type of risk that the council is willing to take to meet its strategic objectives? Work is required to explore the tolerances and manage the agreed risk effectively.

5. **Be confident and prepared to be more ambitious.** This recommendation also links to the appetite for risk and also the role the council could take in placemaking taking direct intervention to achieve the regeneration objectives. This recommendation also links to enhancing the amount of community engagement and involvement in developing the council objectives and building confidence.

3.5 In addition to the key recommendations, the peer team provided feedback and comment on how we meet the five core components and within the body of the report there are a number of areas for consideration based on best practice.

3.6 In response to the peer review feedback report a draft action plan (Appendix A) has been developed for consideration and discussion at the Corporate Scrutiny Meeting prior to being presented to Cabinet.

4. PROPOSED WAY FORWARD

4.1 The report and draft action plan was considered by the Corporate Scrutiny Committee on 8 January 2020 and the comments are attached in Appendix C for information.

4.2 The Council has developed an action plan to respond to the comments and recommendations within the peer review report, attached for members consideration. Once approved by cabinet the action plan will be publicised alongside the report. Quarterly reports on progress against the action plan will monitored by the chief executive and Corporate Portfolio Holder Councillor Ashman and reported through the Corporate Scrutiny Committee.

4.3 It is likely that additional resources will be required in democratic services to support the enhancement of the scrutiny function. Work is underway to identify the requirements.

4.4 The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 18 months.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected

Policy Considerations:	Treasury Management Strategy Medium Term Financial Plan Housing Revenue Account Asset Management Strategy Corporate Asset Management Strategy Customer Experience strategy
Safeguarding:	No matters arising out of the report
Equalities/Diversity:	No matters arising out of the report
Customer Impact:	No matters arising out of the report
Economic and Social Impact:	No matters arising out of the report
Environment and Climate Change:	No matters arising out of the report
Consultation/Community Engagement:	The Peer review report will be published on the website and will form part of the quarterly staff roadshows. Any changes made as a result of the peer review recommendations that require more formal consultation or engagement, will be conducted in accordance with existing policies.
Risks:	<ol style="list-style-type: none"> 1. That the report is not adequately considered to assist in our continuous improvement activities <ol style="list-style-type: none"> a. Sufficient time needs to be provided to enable consideration of the recommendations and develop an action plan. 2. The process is not considered to have been worthwhile <ol style="list-style-type: none"> a. Follow up with all individuals that took part in the process and share the recommendations with them b. Public engagement through press release with key findings c. Ensure resulting action plan also made publically available 3. Insufficient resources to deliver action plan <ol style="list-style-type: none"> a. Prioritisation of resources through CLT
Officer Contact	Bev Smith Chief Executive bev.smith@nwleicestershire.gov.uk

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Appendix A

Action Plan arising from the Corporate Peer Review 25th-27th June 2019

Area	Ref	Recommendations	Actions	By	Change to Constitution?	Timescale A 1-3 months B 3-6 months C 6-12+ months
Effective Scrutiny		Establish Cross party working group	Cross party working group to be established to oversee actions and improvements to the scrutiny function. Terms of reference to be developed Method of engagement and communication with all scrutiny members to be established.	BS		A
		Develop training and support programme for members and chairs	Training programme to be developed to support members and enhance understanding of members roles and responsibility in scrutiny and policy development. Review of LGA support and best practice sharing and mentoring	BS		A
		Review level of officer support for scrutiny function		BS		A
		Develop forward looking work programme for Corporate and Community Scrutiny	Review current work programme and method of identifying areas of work Consider the use of task and finish working groups	BS		A

Organisational Structure and Culture change		Redefine role of the vacant Corporate Director to promote cross organisational working and embed culture change	Role and recruitment process to reflect matrix management approach and 'One team One Council ethos'	BS		completed
		Enhance visibility of Directors	Replicate chief executive 'back to the service' programme with directors to increase visibility of leadership.	BS		B
		Continue with culture change of shared responsibility for the delivery of councils strategic priorities and Placemaking	Embed matrix management style of leadership within the core Director/Chief Executive team Further actions to be developed on appointment of new Director	BS/AB /JA		B
Support Ward Members to build ward level relationships		Establish programme of ward walkabouts		CLT		B
		Enhance communication of key events to ward members	Ensure all press releases are shared with ward members	CO	Completed	Completed
		Enhance understanding of officer/ member protocol	Share member/ officer protocol to ensure members understand how to contact officers and the level of support available to members to resolve ward issues.	EW		B
Enhance Community engagement on budget and priority setting		Develop a community engagement strategy	Develop robust mechanisms for engaging community in development of priorities and allocation of resources	CO/TB		B
Capacity to deliver		Customer Service and digital transformation programme	Review current programme and resource to deliver customer experience strategy and digital transformation.	TS		B

			Review current programme and resource to deliver customer experience strategy and digital transformation.			
		Embed shared understanding and responsibility for delivery of Medium Term Financial strategy	Develop and implement programme of training for members, managers and Corporate Leadership team Early engagement of scrutiny of budget proposals Develop a protocol for budget monitoring Design and implement standardised investment appraisal tool Establish pricing strategies across all key income streams	TB		Completed Completed Completed Completed Completed
		Finance	Benchmark finance team resources against peers Review resource to deliver the implementation of the new finance system and to ensure business partnering model is embedded	TB		B
Journey to self sufficiency		Review Journey to self-sufficiency programme	Define what self-sufficiency and commercialisation means for North West Leicestershire and communicate to staff, stakeholders and members Identify work streams to support J2SS programme Review project management approach to the J2SS programme Identify trigger points and develop robust action plans for all work streams Develop risk assessment for the J2SS programme	BS		A/B
		Asset management – commercial properties and asset management	Review current asset condition Conduct options appraisal for establishment of arms length company for house building	CL AB		A B/C
		Make effective use of Treasury management	Develop and implement a revised investment strategy with members in order to increase investment returns	TB		B

Risks		Risk Appetite	Develop a 'Risk Appetite Strategy' to support decision making.	TB		B
		Council Delivery Plan	Assess and review risks associated with the delivery of the Corporate Plan	MM		B

Person Responsible	
BS	Bev Smith
EW	Elizabeth Warhurst
TB	Tracy Bingham
MM	Mike Murphy
CL	Chris Lambert
AB	Andy Barton
JA	James Arnold
CO	Caroline Ormond
TS	Tom Shardlow

061



Corporate Peer Challenge **North West Leicestershire District Council**

25th – 27th June 2019

Feedback Report

1. Executive Summary

There is a positive feel to North West Leicestershire District Council (NWLDC). Staff are enthusiastic and optimistic about the future, and councillors are keen to look forward and do their best for their communities. The council has large scale developments within its borders, for example East Midlands Gateway and partnership working is strong.

Staff are friendly, welcoming and realistic about the changes that the council is going through. All talked about the last two years being a “breath of fresh air” and “welcome change”. The *Investors In People* accreditation reflects how much things have changed in recent years, and NWLDC should be proud to achieve this.

NWLDC is currently in a period of transition from one culture and delivery organisation to another. The Roadmap is an excellent illustration of this and could be a good communications tool to help explain to others where you are on that journey.

The Medium-Term Financial Plan (MTFP) recognises there is a significant budget gap on the horizon, and there is political commitment to bridging this gap using reserves. Looking further ahead, the peer team suggest considering how overall finances can be used to minimise or eliminate funding gaps and focus on increasing the delivery of strategic priorities.

Staff have good ideas but are sometimes reticent about offering them. This is perhaps due to getting used to a different work culture, but they could benefit from more confidence or clearer communication about this.

Housing is clearly a priority, but there appears to be a lack of confidence about what you as a council are legally and strategically able to do to direct and influence developments. For example, at the full council meeting we attended, we heard views expressed that the council is powerless to influence the types of development that the private sector provides. This is not necessarily the case, and as a council, you could be purchasing assets and developing them yourselves. This would mean you could get your green priorities into new developments and build the communities you would like to build in the district.

The Strategic Growth Plan could unlock many opportunities for the District. The East Midlands Gateway at East Midlands Airport is a growth area. It is good to note that there is a variety of businesses moving there, so that there is not a reliance on one sector. However, with this level of growth, there is a conflict with the current level of infrastructure. A key challenge for the Council is developing the infrastructure to support the speed and level of growth. This will be a focus of work with Leicestershire County Council going forward. Members will need to recognise the need for collaboration and co-operation in a timely manner as the Gateway takes off.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the council:

- 1. Act on the opportunities that vacancies present.** When vacancies arise, consider how the role could be redefined and developed to further promote the changed culture and strategic priorities. This could mean making closer links across the council to reduce silo working and recognising that everyone contributes to placemaking.
- 2. Continue to improve the scrutiny function.** Make it more robust and be seen to be robust. Explore good practice regarding Scrutiny, such as training all scrutiny committee members, involving backbenchers in working groups if not on the actual committee, establish a forward-looking work programme, and involve scrutiny early in the decision-making process. This will help avoid the risk of questions about governance arrangements if decisions are not popular.
- 3. Be prepared to address the capacity issues and align resources to priorities.** Capacity is stretched in some key areas, for example finance, digital strategy. Ensure that resources follow the priorities set, to deliver what the council wants. Either put more resource in or reduce what you plan to deliver or adjust the timescale in which you want to deliver it.
- 4. Clarify the council's risk appetite.** What is the amount and type of risks that you are willing to take in order to meet your strategic objectives? Members and officers could work together to explore this and agree your tolerances. This would mean that the council and its leadership team is not only able to manage risk more effectively, but you will be better positioned to take full advantage of the many opportunities that you have identified.
- 5. Be confident and prepared to be more ambitious.** Consider what levels of risk the council is prepared to take to deliver on strategic priorities, and how best to communicate that to satisfy residents and partners. Explore how ongoing two-way engagement can help build residents' confidence in the council delivering on its objectives. You have a great deal to be proud of so be confident and tell people.

3. Summary of the Peer Challenge approach

3.1 The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected based on their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at North West Leicestershire District Council (NWLDC) were:

- Cllr Linda Robinson – former leader of Wychavon District Council
- Nick Tustian – Chief Executive, Eastleigh Borough Council
- Ben Lockwood – Director of Finance and Economy, Ashford Borough Council
- Karen Edwards – Director (Programmes and Place), Rushmoor Borough Council
- Becca Singh – Local Government Association (LGA) Challenge Manager
- Daniel Gardiner – Local Government Association Adviser

3.2 Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges cover. These are the areas we believe are critical to councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to these questions, at the start of the review, NWLDC asked the peer team to consider/review/provide feedback on the following questions:

- Do we have the capacity to deliver our big-ticket items?
- How robust, realistic and ambitious are our plans to be self-sufficient?
- What is your view on our approach to being more business-like?
- Without a burning platform, how do we ensure we are financially robust to deal with future funding changes?
- How realistic and ambitious are our plans to improve customer experience?
- Are we on the right trajectory?

3.3 The peer challenge process

Peer challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals and it is important to stress that this was not an inspection. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information to ensure they were familiar with the council and the challenges it is facing. The team then spent three days onsite at North West Leicestershire, during which they:

- Spoke to about 75 people including a range of council staff, councillors and external stakeholders, plus around 50 at the staff fair – a record of about 125 people!
- Gathered information and views from more than 40 meetings, visits to key sites and additional research and reading
- Collectively spent more than 280 hours to determine our findings – the equivalent of one person spending around 8 weeks in NWLDC

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (27th June 2019). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. The team know that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

NWLDC is a district of contrasts, which the council understands well. These include the differing impacts of the decline of manufacturing and mining industries, differences in wealth between Ashby-de-la-Zouch and Coalville, differences between rural villages and urban town centres, plus the considerable growth at the East Midlands Gateway in the north-east of the district. The council tries explicitly to meet the needs of all those different communities.

The Delivery Plan 2019/20 is a crucial document, setting out what the council's Key Tasks are for 2019/20 but also its aspirations for the next three years. It illustrates the council's commitments to deliver on its strategic priorities. However, it is not clear how much detail sits behind that. The team found that the implications of the plan are not always widely understood by councillors, officers, residents and external partners. This includes the risks you need to take to achieve priorities, and the different impacts on existing communities.

There is a strong sense of community within the district, demonstrated by the high attendance at community events. This offers the council considerable opportunities for engaging with communities and helping them understand the choices that the council faces as funding arrangements for local government changes.

The vision for growth has not yet been communicated widely because the council is mindful that in the past, plans that have not always been realised. Sensitive to this, NWLDC is reluctant to release information about the investments in Coalville until they have been delivered. However, you could consider how other councils have used strategic and operational communications to enhance the reputation of the council in similar situations. Getting the right message to the right people at the right time is crucial, but so is engaging the right people at the right time in the right way.

4.2 Leadership of Place

NWLDC is the leader of several different communities, and it is hard to balance these competing needs.

Partners from all sectors value working with NWLDC and it is trusted to advocate and speak on their behalf. Support to the voluntary sector is seen as very generous, however you should consider whether you are able to sustain this in an increasingly commercial world. It may be useful to consider how a business-like approach can blend with the political commitment to social value above all else.

There is strong political commitment to deliver the Coalville regeneration plans. It is important to recognise the reputational risk of not delivering, which the council does, but there is also a reputational risk of appearing to do nothing. The council is delivering

some ambitious projects, which will act as enablers in achieving its vision for the District. Communications around those enabling schemes, such as the market relocation, is important and sometimes undersold. It could link back to earlier plans which did not come to fruition when planned, or provide a backdrop to a new, shared vision through greater residential engagement.

Everyone talked about Coalville, including plans for development, regeneration and building on the existing pride of Coalville residents. To lead this regeneration, the council could look imaginatively at ways to encourage high street businesses. For example, there are examples where councils have funded the freezing of business rates for three years to encourage new businesses to move to the area. The current government set scheme of Small Business Rates Relief exempts a lot of small businesses in high streets from paying any rates and it could be a case of promoting that scheme to new businesses so that they understand that rates are less of a barrier due to the reliefs currently offered.

You identified several potential regeneration opportunities in Coalville and how you saw these could contribute to the wider vision for Coalville, but you were inclined to wait for or broker private sector opportunities. 'Being the leader in the area', could mean leading regeneration with your own investment with the council's previous successful developments being highlighted widely to give confidence to the community. For example, the move and development of the new indoor market. The council could directly fund and actively promote this project as part of your approach to commercialisation, so that residents and businesses see that a commercial approach is not just about income generation, but is about investing to stimulate and encourage economic activity in the district

It is important that the rest of the District understand why the investments in Coalville are crucial, without feeling that other areas are missing out. The proposed Regeneration Framework and the Strategic Growth Plan provide platforms for leading the whole district. NWLDC has developed a significant council-owned house building programme that is actively seeking to address the shortfall in local council housing and is looking to develop a more diverse stock to meet wider housing need as a major contributor to Place and Communities. The next step is to link the HRA and General Fund to develop and enhance your built environment, with a wider collective responsibility for Place. Many Councils have, for example, used the General Fund to build Private Rented Stock (PRS) and have even entered the housing market by building house for open market sale. The Green Agenda is another example of how NWLDC can be a leader locally. Work around the green infrastructure and becoming carbon neutral could be improved with a wider collective responsibility for place.

Be prepared to lead on shaping the area for the future. Leading sometimes means challenging viewpoints and educating others. For example, residents want to improve retail offer in Coalville, but high streets everywhere are struggling with changes in the retail sector. Be honest with communities so that they understand the challenges and get on board to help you solve them.

4.3 Organisational leadership and governance

There is a strong, visible leadership team with a shared vision. Councillors and officers have built up mutual respect, although some councillors have found it hard to adjust to less direct access to officers. It is good practice to have a clear Member/officer protocol to explain the reasons for this, and how to get in touch with officers for different things.

There has been a major change in culture in the last two years, largely due to the change of Chief Executive and the very positive relationship that has developed with the Leader. This is not just about structures and processes, but the whole staff culture. The peer team found NWLDC to be a friendly and welcoming organisation, and this was that was shared by staff and partners. The Chief Executive has high visibility within the council and externally and this should be replicated by the directors so that the managerial leadership can be shared and made more sustainable. When vacancies occur, particularly those at senior leadership level, they can provide a real opportunity to reshape roles to reflect NWLDC's new priorities, behaviours and skills. Some of the current roles may not reflect these new areas of focus. Strategic leadership is less about the line management service structure, and more about building a matrix approach working across the organisation to drive change and reinforce the 'one team, one council' culture. This will continue embed collective responsibility and help to remove any silo ways of working. For example, the delivery of the 'Place' objectives should be seen as important for the whole organisation, not just for those services such as Housing or Economic Growth.

Councillors are committed to delivering for their residents, but the peer team heard that frontline councillors can feel outside decision-making processes. Consider how councillors could build ward-level relationships with partners, businesses and residents. For example, regular ward walks with police, Citizen's Advice Bureau, Fire and Rescue Service and Highways. Ensure ward councillors know when something is happening in their ward and get them involved at an early stage. Councillors are a good advocate for council work, but only if they are informed and involved. Enable councillors to have ongoing two-way engagement with residents and partners.

Scrutiny is improving. It is evolving but more could be done. Political decisions can be strengthened by good scrutiny, and by good scrutiny being seen to be done. Scrutiny is a way of involving frontline councillors actively in working groups if not on the actual committee. The scrutiny function is currently underused, leading to some frustration amongst elected members. This could be a risk to confidence in governance arrangements if decisions are not seen to be exposed to quality scrutiny. Consider how good scrutiny practice could be further incorporated. For example, each scrutiny committee developing its own work plan, involving scrutiny at an early stage in decision-making for example, decisions going to scrutiny before Cabinet make decisions, allowing scrutiny to have a more strategic role for example conducting a green review of council policies and practices, having members of the opposition chair meetings, and providing scrutiny training to members of scrutiny committees; this could involve seeking more support from the LGA to provide scrutiny training and mentoring.

Resources need to be aligned to strategic priorities for them to be delivered successfully. Make sure that the whole organisation understands the priorities, and that the resources will follow. For example, the digital transformation agenda was often quoted by staff as being the panacea for capacity concerns, but at the current rate of delivery it will be many years before the benefits are realised. Linking access to resources on an 'invest to save' approach around transformation could help accelerate delivery.

Understand the risks and impacts of decision-making. Financial decisions such as freezing council tax has an impact on the ability of the council to deliver strategic priorities. This links to engagement with residents. Discussions with them should focus on possibilities for delivery rather than funding resources. Then when you deliver, shout about it using for example the "you said, we did" section of the council's website. Demonstrating you are delivering your shared strategic ambitions in line with the wishes of your residents can help to engage and empower local communities.

There needs to be a clearer and wider understanding of risks and your collective risk appetite. There are risks involved in doing something but also in not doing something. You might start by considering how much risk you are prepared to take to deliver on your big-ticket items.

4.4 Financial planning and viability

The council is in a sound financial position. However, there is a sense that for most people – officers and councillors – finance is something that the Financial Team 'do'. To be more business-like, as well as provide more resources in the finance team, the rest of the council need to understand how their role is part of the financial picture. If the whole council is to be more business-like, the whole council needs to further change culture to understand that finance is everyone's responsibility and more resources are needed to achieve this. This has improved, and there is more collective responsibility within the Senior Leadership Team on the financial position. In addition, for the first time there has been an opposition alternative budget. These are great moves to build on to become more 'business-like'.

The Medium-Term Financial Plan (MTFP) makes reasonable assumptions over external issues that will affect the council's finances, for example business rates, New Homes Bonus and the Fair Funding review. The plan position shows a budget gap of c£5m over the next five years. The external factors may turn out differently, but the risk these factors pose is real, and represents the burning platform for the Council that was not recognised.

NWLDC has been prudent and built reserves to cover this gap. Although prudence is good practice, relying on reserves is not sustainable and doesn't solve the underlying problem, and alternative solutions will need to be sought to mitigate the potential risks of external factors.

The council has a plan to close this gap through its strategies on commercialism, Asset Management and Finance, as well as controlling corporate costs. The 'Journey to Self-

Sufficiency' plan will be crucial in closing the gap, although a clear definition of what 'self-sufficient' means to NWLDC is needed. These strategies should be further refined to develop clear proposals to close the budget gap. A good way to ensure this works is to bring all this work together into a programme where individuals are accountable for delivery, and that this is monitored by the Corporate Leadership Team (CLT).

Finance is currently focused on managing the budget gap rather than supporting strategic ambitions. The council has ambitious plans for the District, but delivery will be resource intensive and complicated. Ensure your financial strategy supports these ambitions by releasing and investing resources to deliver transformation and regeneration plans. There is the potential to take greater ownership of assets and drive income streams to support long-term finances. How far the Council is prepared to seek to generate additional income by exploiting new and existing income streams including investing in commercial property will depend on attitude to risk and how it views income in terms of delivering its service objectives.

One approach to income streams is to analyse services in the following way:

1. Statutory and Compulsory – little or no income so don't waste time trying to maximise, or find alternative income streams
2. Discretionary Services - enjoyed by some, but not all residents, with the option to charge at market value for example leisure facilities and car parking
3. Fully commercial services – provided simply to generate as much profit as possible for example Trade Waste. In this area other councils have explored a wide range of income opportunities including such things as setting up a printing company and even a gin distillery. It provides an opportunity for the whole Council to demonstrate its entrepreneurial skills, but it needs to be realistic in recognising that initiatives will often require significant investment for only a limited return.

Investing in commercial property is something many councils have undertaken as a means of generating income. Undertaking only a few transactions, it is possible to secure significant revenue income from high quality long-term leases at relatively low risk. Also, by pro-actively intervening in the commercial property market a council can support the delivery of other strategic objectives such as regeneration and employment. The range of approaches to this is almost endless, with some investing only cash balances to secure a few local properties to those that have borrowed significantly to invest in a variety of different types of building for example, retail and offices both inside and outside of the borough boundary. One council in the South East is reported to have borrowed nearly £1bn to invest in commercial property, much of it outside of its borough.

NWLDC has a good commercial strategy that encourages a positive culture change in the organisation to be more business-like. However, the practical day to day implementation of this strategy is not widely understood as "Being-Business Like" currently means different things to different people. For the strategy to be effective, there needs to be a consistent definition of 'business-like', 'commercialism' and 'self-

sufficiency'. This would help you consider how this permeates into the council's decision-making, staff culture and communications. There is not a "one size fits all" approach that can be adopted across all the services and there needs to be greater clarity, service by service as to what "being commercial or business-like" really means. One suggestion is that each service/business plan could be enhanced further with a commercial framework that balances the council's social and moral values against commercial/business objectives, whether it be income generation or more effective control of costs. There are examples of good practice in other councils across the country and the LGA's Advanced Commercialism Group can assist pointing you in the right direction.

Treasury management could be used to help close the budget gap. The council currently holds its investments mainly as cash deposits with banks, building societies and other local authorities. These investments have relatively low returns and expose the council to 'buy-in and credit risk. The peer team would encourage you to consult your treasury management advisers to explore the potential to improve investment performance, for example using pooled investment vehicles, or other investments that should have a higher rate of return than cash deposits or generate income. These increase return and lower the credit risk and buy-in risk that the council is currently exposed to. The council could then use short-term borrowing to fund its capital programme. The team suggest you discuss this with your Treasury Management Advisers.

4.5 Capacity to deliver

NWLDC has a positive and motivated workforce which is keen to accept the challenges that proposed changes will bring. There are a strong set of values which feel owned by staff, and by councillors. However, this is an organisation in transition. All councillors, as well as officers, need to be part of that journey.

There are concerns about capacity. Senior staff and councillors need to recognise where services are stretched and consider how each service helps meet strategic priorities and resource accordingly. For example, there is currently considerable focus on finance, but the team could benefit from more longer-term resource and capacity. Recruitment in particular areas can be a challenge; you should therefore continue with your grow your own approach and release the talent in your current staff.

The digital strategy is crucial. Many people are relying on this as the answer to all NWLDC's capacity issues. Staff and councillors need to recognise the changes in culture that implementation will require. At the current level of resourcing, the Digital Strategy implementation will take years. The peer team would encourage you to look for quick wins now, and increase the resources allocated to the implementation of the strategy, alongside any further cultural transformation, as soon as possible.

4.6 Other specific focus areas as appropriate

In response to the specific questions asked of the peer team to explore as part of the peer challenge process, namely:

- Do we have the capacity to deliver our big-ticket items?
- How robust, realistic and ambitious are our plans to be self-sufficient?
- What is your view on our approach to being more business-like?
- Without a burning platform, how do we ensure that we are financially robust to deal with future funding changes?
- How realistic and ambitious are our plans to improve customer experience?
- Are we on the right trajectory?

Many of these have been addressed in the finance and capacity sections of the report. Further observations of the peer team are as follows:

Capacity to deliver the big-ticket items

There is definitely the will, capability and drive to deliver the major projects, but you are trying to move forward on a very broad range of change and ambitions. Sequencing those could give you some headroom to deliver fewer things quicker, perhaps through a programme office and a clearer project management system.

Using finance more creatively will increase your capacity to deliver, for example by enabling you to allocate more staff to early stages of projects. It could also help you have more resources to invest in assets that could then help generate income.

Being more business-like

The commercial strategy provides a sound basis on which you can build on. There are processes in place to encourage a business-like approach in the organisation, but a business-like culture still needs to be developed if you are to become a truly business focused organisation. This is because at present the term business-like means different things to different people. Clarifying the understanding and balancing your objectives for social value with commercialisation will be critical. Every council takes a different approach, and NWLDC should decide for itself where it wants to be on the commercialism spectrum. Once this has been defined, it should be embedded into business and service plans.

The council will need to consider the levels of risk it is prepared to take to deliver on its priorities. This includes financial as well as reputational. There are examples of good practice on the LGA website which NWLDC may find useful to learn from.

Plans to improve customer experience

The vision, principles and timeline are in place. Staff are keen to improve things and can see the opportunities to deliver from the digital strategy. However, the desired outcomes are not clear, and recent delivery has taken more work than expected,

including re-working in some areas. A better resourced programme will help the council to deliver within the proposed timescale.

The peer team suggest that if this is one of your main priorities, resource it appropriately and deliver it, otherwise it will become a millstone rather than an enabler. It is ambitious, but at the moment it is not realistic without more capacity and resources.

On the right trajectory

NWLDC is heading in the right way to deliver its strategic outcomes. However, because it is still in transition culturally, changes will take time to deliver without investing in crucial teams and programmes.

5. Next steps

5.1 Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on these findings and suggestions to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on several of the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser, is the main contact between your authority and the Local Government Association (LGA). His contact details are: Email Mark.Edgell@Local.gov.uk .

In the meantime, we are keen to continue the relationship we have formed with the council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

5.2 Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the council. You have already indicated that a repeat visit by some of or all the team would be welcome in about two years.

5.3 Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. It is therefore anticipated that the council will commission their next Peer Challenge before 2024.

6. Appendix: Signposting

6.1 Signposting

Learn from others using LGA's searchable Case Studies database:

<https://www.local.gov.uk/case-studies>

Learn from how other councils have been progressing commercialisation, through the LGA Advanced Commercialism Group: [ACG website](#)

Consider signing up to MHCLG's Digital Declaration: [MHCLG website](#)

APPENDIX C

EXTRACT of the MINUTES of a meeting of the CORPORATE SCRUTINY COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 8 JANUARY 2020

Present: Councillor J Hoult (Deputy Chairman)

Councillors D Bigby (substitute for R Johnson), A Bridgen, V Richichi, S Sheahan, D Tebbutt and M B Wyatt

In attendance: Councillors R Ashman and N J Rushton

Officers: Mr A Barton, Mrs T Bingham, Mr M D'Oyly-Watkins, Mr M Murphy, Mrs B Smith, Mr R Wallace and Miss A Wright

34. CORPORATE PEER REVIEW

The Chief Executive presented the report to Members.

Councillor M B Wyatt referred to the leadership of place as detailed at page 162 of the report. He felt that not enough emphasis was being placed on the regeneration of Coalville and that no one was taking ownership of it. He did not feel that businesses were being engaged and simply issuing surveys did not work. He believed that the leadership required more ambition with more local input. The Chief Executive reminded Members that the regeneration of Coalville was a number one priority for the Council and assured that the Leader of the Council championed it. However, she recognised the need to improve engagement with local people and businesses, and was already looking at ways to introduce a better approach. Councillor M B Wyatt concurred that the Leader of the Council did champion the regeneration of Coalville but would like to see more people behind him as it needed to be a team effort.

Councillor S Sheahan agreed with the positive comments regarding the scrutiny function and took comfort in the fact that there would be a cross party working group used to shape how it would operate going forward.

In response to a question from Councillor V Richichi, the Chief Executive explained that the Peer Review Team had not provided a blue print for the council to adhere to. Rather the process draws on a wide set of experience from across the sector, providing examples of good practice from other authorities to aid in shaping things moving forward.

In response to a question from Councillor D Bigby, the Chief Executive explained that the gaps in the finance service raised during the review had been budgeted for and work was underway.

It was moved by Councillor V Richichi, seconded by Councillor S Sheahan and

RESOLVED THAT:

The report be noted.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET - TUESDAY, 4 FEBRUARY 2020



Title of Report	CORPORATE ACCOMMODATION UPDATE	
Presented by	Councillor Roger Bayliss, Portfolio Holder for Housing and Customer Services	
Background Papers	N/A	Public Report: Yes
		Key Decision: No
Financial Implications	As detailed in the report	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed in the report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	<p>To advise members on the condition of the Council's office accommodation at Whitwick road following a detailed condition survey.</p> <p>To outline the scale of work required and associated costs.</p> <p>To outline potential alternative options for members to consider.</p>	
Reason for Decision	The Council has had a full condition survey completed which details several £m of work required.	
Recommendations	<p>1) THAT CABINET MEMBERS NOTE THE CONTENT OF THIS REPORT.</p> <p>2) THAT CABINET MEMBERS COMMISSION AN INFORMAL PROPORTIONAL CROSS PARTY WORKING GROUP, CHAIRED BY THE PORTFOLIO HOLDER FOR HOUSING AND CUSTOMER SERVICES AND SUPPORTED BY THE STRATEGIC DIRECTOR OF PLACE AND OFFICERS OF HIS DELEGATION.</p>	

	THE INITIAL OBJECTIVE OF THE WORKING GROUP WILL BE TO EXPLORE THE OPTIONS AROUND CORPORATE ACCOMMODATION AND TO PROVIDE A RECOMMENDATION BACK TO CABINET.
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1.0 INTRODUCTION

- 1.1 The Council's corporate accommodation on Whitwick Road has not benefited from substantial refurbishment for a significant period of time. In many cases it features original finishes.
- 1.2 Many components of the building are evidently at the end of their useful life; windows and glazing, walkways, interior decoration, roof coverings etc.
- 1.3 The building was constructed to a design of the time, offering compartmental office accommodation and dedicated circulatory space, which does not compliment modern ways of collaborative working.
- 1.4 In 2019 the Council declared a climate emergency, making a commitment to become carbon neutral. The Council's accommodation in its present state is not energy efficient, with uninsulated cavities, single glazing and traditional sources of space heating and power.
- 1.5 A full condition survey has been completed which outlines the scale and estimated cost of remedial and preventative maintenance required, to keep the building operational in its current state.
- 1.6 The value of this work, particularly considered against the climate emergency and modern ways of working aspirations, is significant. On this basis Officers of the Council have explored the availability of alternative options.

2.0 STRATEGIC LINKS

- 2.1 The Council's future accommodation plans or decisions around this theme, link or potentially link with the following strategic aims or policies:
 - 2.1.1 Council Priorities:
 - 2.1.1.1 Supporting Coalville to be a more vibrant, family-friendly town.
 - 2.1.1.2 Developing a clean and green district.
 - 2.1.1.3 Our communities are safe healthy and connected.
 - 2.1.2 One Public Estate.
 - 2.1.3 Asset Management Strategy.
 - 2.1.4 Customer Experience Strategy.
 - 2.1.5 Climate Emergency – Net zero commitment.
 - 2.1.6 Medium Term Financial Strategy.

3.0 CONDITION SURVEY

3.1 A full condition survey has been completed by an external contractor. It covers:

Stenson House
The 1980's building (Main building)
The 1990's extension (Bowls club end)

3.2 The contractor was asked to profile this work over a 10-year and 25-year lifecycle, based on the present position, component lifespans and typical planned preventative maintenance cycles.

3.3 The external contractors appointed are professionally qualified (BSc/ MSc) and benefit from proper accreditation (i.e. MRICS), certification and indemnity, giving a good level of confidence in the values presented. Though it is of note that the survey was completed on a non-invasive basis.

3.4 The costings have been calculated from enquiries with specialist contractors and suppliers and from the use of BCIS and Spon's (recognised industry standards for pricing of works). They do not make allowances for main contractor's overheads and profits, prelims, specialist access, contingency sums, statutory fees, professional fees and VAT.

3.4.1 It is of note that the cost of works when tendered can vary considerably depending on individual contractors and the phasing and nature of the works tendered.

3.4.2 Urgent and essential works are profiled in the near future, to prevent any further deterioration, increased future expense or impact on business continuity.

3.5 This condition survey prescribes renewal works, only where economical maintenance is not viable. It offers only superficial systematic improvements to the building or energy efficiency, limited to the benefits associated with newer materials or mechanical and engineering components. Preventative maintenance has been programmed in line with industry standards. Renewal is on a like for like or equivalent alternative basis.

3.6 The scale of work is large due to historical pauses in planned preventative maintenance and the extension of serviceable life of key components, generating a backlog of work. In part this is due to previous ambitions around alternative uses and schemes relating to corporate accommodation.

3.7 High value works include areas such as ; wholesale external glazing renewal, roof repairs, aerial walkway renewal and various mechanical / engineering components.

3.8 The condition survey profiles the work at:

Year	1980 and 1990 Building	1930's building	Total
Year 1	£864,369.00	£6,250.00	£870,619.00
Year 2	£423,652.00	£118,121.00	£541,773.00
Year 3	£486,860.00	£44,001.50	£530,861.50

Year 4	£664,882.00	£3,466.50	£668,348.50
Year 5	£825,099.00	£16,390.00	£841,489.00
Year 6-10	£155,500.00	£173,937.00	£329,437.00
Year 11-15	£10,500.00	£10,303.00	£20,803.00
Year 16-20	£10,500.00	£51,927.50	£62,427.50
Year 21-25	£3,125,871.00	£84,878.00	£3,210,749.00

25 years	£6,567,233.00	£509,274.50	£7,076,507.50
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3.9 Furthermore, a sub-consultant has been engaged, to profile any associated mechanical and engineering works:

Year	Total
Year 1	£177,900.00
Year 2	£31,950.00
Year 3	£26,950.00
Year 4	£21,950.00
Year 5	£12,900.00
Year 6-10	£107,855.00

10 years	£379,505.00
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3.10 These works have been limited to a 10 year forecast due to the close links with environmental plans and the level of uncertainty around future statutory standards.

3.11 The compiled total as below:

Year	Combined Total
1-10	£4,162,033.00
0-25	£7,456,012.50*

*Mechanical and engineering costs years 10-25 not included.

3.12 As the status quo option this work is in part reflected in future capital programmes and is the minimum investment that the building requires to remain serviceable.

4.0 SUSTAINABILITY / CARBON NEUTRAL

4.1 The Council has obtained initial advice from industry experts around the opportunity to offer net carbon zero office accommodation.

4.2 The view is that the existing accommodation can benefit from significant retrospective efficiency and renewable investment. This will lead to significant improvement but is

unlikely to ever become carbon neutral due to the inherent limitations of the building design.

- 4.3 Carbon neutrality is most typically achieved in the design and construction of new buildings, utilising modern materials, practices and design methodologies.

5.0 ALTERNATIVE OPTIONS / OPPORTUNITIES

- 5.1 The Council has had initial engagement with design, architectural and quantity surveying professionals around alternative options.

- 5.2 The brief in principle has been linked to the Council's:

Ambitions to work in a more modern manner.
The condition of the current accommodation.
Commitment to become carbon neutral.
Need to be economically prudent with the public purse.

- 5.3 On this basis the following alternatives have been presented as potential options for further exploration:

5.4 Wholesale refurbishment

- 5.4.1 The building could be fully refurbished, providing the following key benefits:

Removal of internal walls, generating open plan accommodation
Renewal and consolidation of customer space
Increased building occupancy / efficiency
Renewed Council chamber
Complete renewal and refurbishment of all internal finishes
Renewal of external finishes and building components.
Increased energy efficiency.
Best use of the existing office accommodation.

- 5.4.2 This could be phased to maintain building occupancy and business continuity.

- 5.4.3 The estimated value of this work is £7,300,000.

- 5.4.4 There would also be an element of the planned / preventative maintenance costs from section 3 over the 10/25-year life.

5.5 New build

- 5.5.1 A new building could be commissioned, providing the following key benefits:

Reduced foot print, through space efficiency.
Carbon neutral by design.
BREAM standard excellent design.
WELL rated.
Modern, open design which links closely with modern ways of working.
Turn key solution, reducing operational impact.
Reduce cost of operation and maintenance.

Attractive space for partners.
Quality building in Coalville Centre – could link to wider regeneration plans.
Relinquished former site for demolition and redevelopment
Refurbishment of Stenson House.

- 5.5.2 The estimated value of this work is £7,800,000. This is based on a number of high level assumptions around requirements and occupancy and is indicative only.
- 5.5.3 This value is inclusive on demolition of the 1990's and 1980's buildings (£0.25m).
- 5.5.4 This value is inclusive of the refurbishment of Stenson House (£0.75m).
- 5.5.5 There would be a reduced maintenance profile over the 10/25-year range.
- 5.5.6 All options are cursory only, and require full and complete feasibility work, before a formal decision could be presented.

6.0 OTHER CONSIDERATIONS

- 6.1 There are other forces, factors or opportunities of consideration in this decision situation.
- 6.2 At this point they are for note only but will require full articulation and investigation as the programme progresses.
- 6.3 Agile working
 - 6.3.1 Ways of working are changing at an ever-increasing pace.
 - 6.3.2 As a workforce we are becoming more agile naturally, with remote working and alternative working patterns becoming more prevalent.
 - 6.3.3 This is reflective of the wider labour markets, with home and agile working becoming normality for many.
 - 6.3.4 Equally technology is enabling this to be achieved more readily, at little additional cost.
 - 6.3.5 Noting these systemic changes, it is likely that naturally the requirement for office accommodation will diminish, with desk / officer ratios shrinking from 1:1 to 10:7 relatively easily.
 - 6.3.6 Furthermore, the organisation is considering its strategy around this and conceivably, with deliberate intention, this could be extended further to 10:5 ratios.
 - 6.3.7 This clearly has significant impact on the size of accommodation needed and has a bearing on future potential costs.
- 6.4 Community hub
 - 6.4.1 There is a significant public service presence in Coalville. Initial conversations have suggested that there may be interest in co-location, particularly in a new build.

6.4.2 This is in keeping with the One Public Estate agenda.

6.4.3 Potential partners may include:

Police
DWP
NHS / Health / Primary Care
Leicestershire County Council
Citizens Advice
Money Advice
Registrars
Social enterprises... community café's etc.

6.4.4 Any future work should begin to explore these opportunities in detail.

6.5 Alternative uses of existing site

6.5.1 Any move away from the existing London Road / Whitwick Road site may release the land and carparks for redevelopment.

6.5.2 It is of note, that the site, adjacent to existing domestic dwellings, is potentially suitable for Housing.

7.0 **WORK ONGOING**

7.1 Essential reactive and preventative maintenance work will continue on the existing accommodation.

7.2 Large capital works may be delayed until a direction is confirmed but this will need to be balanced with the need to safeguard health and safety / operational continuity.

7.3 Further work will be completed around the current utilisation and occupation of the building, in particular the current desk/staff/occupancy ratios and meeting room utilisations.

8.0 **NEXT STEPS**

8.1 The future of the Council's office accommodation is clearly a significant decision which effects a range of stakeholders, and most notably the Council's customers.

8.2 This report also outlines that there a number of potentially viable options around the way forward.

8.3 To account for all views the Council's Cabinet should commission a cross party working group, supported by key Council officers, and chaired by the Portfolio Holder for Housing and Customer Services.

8.4 This is with a view for the group to then feedback to Cabinet a summary of their observations and recommendations for a decision around the future accommodation direction.

Policies and other considerations, as appropriate	
Council Priorities:	Insert relevant Council Priorities: <ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Developing a clean and green district - Our communities are safe, healthy and connected
Policy Considerations:	As detailed in the report.
Safeguarding:	None at this time.
Equalities/Diversity:	None at this time.
Customer Impact:	Not known at this time
Economic and Social Impact:	As detailed in the report.
Environment and Climate Change:	As detailed in the report.
Consultation/Community Engagement:	As detailed in the report.
Risks:	Not known.
Officer Contact	Tom Shardlow Head of Customer Services tom.shardlow@nwleicestershire.gov.uk

Likely to contain exempt information under paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 16.

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