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SUMMONS TO ATTEND A MEETING OF THE  
NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

Time/Date 6.30 pm on TUESDAY, 25 FEBRUARY 2020  
Location Council Chamber, Council Offices, Coalville  
Officer to contact Democratic Services (01530 454512)



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Chief Executive

**AGENDA**

Item	Pages
<b>PRAYERS</b>	
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. DECLARATION OF INTERESTS</b>	
Members are reminded that any declaration of interest should be made having regard to the code of conduct. In particular, members must make clear the nature of the interest and whether it is 'pecuniary' or 'non pecuniary'.	
<b>3. CHAIRMAN'S ANNOUNCEMENTS</b>	
<b>4. LEADER'S AND PORTFOLIO HOLDERS' ANNOUNCEMENTS</b>	
Members are reminded that under paragraph 11.1 of part 4 of the Constitution, questions can be asked of the Leader and Cabinet Members without notice about any matter contained in any address. Questions shall be limited to five minutes in total for each announcement.	
<b>5. QUESTION AND ANSWER SESSION</b>	
To receive questions from members of the public under procedure rule no.10. The procedure rule provides that members of the public may ask members of the Cabinet any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Commercial Services.	

<b>Item</b>	<b>Pages</b>
<b>6. QUESTIONS FROM COUNCILLORS</b>	
To receive members' questions under procedure rule no.11. The procedure rule provides that any member may ask the Chairman of a board or group any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Commercial Services.	
<b>7. MOTIONS</b>	
To consider the following motion submitted by Councillor A Woodman:	
That the Council adopt the International Holocaust Remembrance Alliance (IHRA) working definition of anti-Semitism which is as follows:-	
"Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities."	
<b>8. PETITIONS</b>	
To receive petitions in accordance with the Council's Petition Scheme.	
<b>9. MINUTES</b>	
To confirm the minutes of the meeting of the Council held on 19 November 2019	<b>5 - 12</b>
<b>10. RECOMMENDATIONS OF THE INDEPENDENT REMUNERATION PANEL</b>	
Report of the Chief Executive Presented by the Deputy Leader	<b>13 - 18</b>
<b>11. BUDGET AND COUNCIL TAX 2020/21</b>	
Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>19 - 124</b>
<b>12. INVESTMENT STRATEGY - SERVICE AND COMMERCIAL 2020/21</b>	
Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>125 - 134</b>
<b>13. THE TREASURY MANAGEMENT STRATEGY MANAGEMENT 2020/21 AND PRUDENTIAL INDICATORS 2020/21-2022/23</b>	
Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>135 - 162</b>
<b>14. GENDER PAY GAP REPORT 2019</b>	
Report of the Chief Executive Presented by the Deputy Leader	<b>163 - 168</b>

**Item****Pages****15. PAY POLICY STATEMENT 2020/21**

Report of the Chief Executive  
Presented by the Deputy Leader

**169 - 178**

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MINUTES of a meeting of the COUNCIL held in the Council Chamber, Council Offices, Coalville on TUESDAY, 19 NOVEMBER 2019

Present: Councillor J Bridges (Chairman)

Councillors V Richichi, E G C Allman, R Ashman, R D Bayliss, C C Benfield, D Bigby, A S Black, R Blunt, R Boam, A J Bridgen, R Canny, J Clarke, D Everitt, T Eynon, M French, J Geary, L A Gillard, S Gillard, T Gillard, D Harrison, B Harrison-Rushton, M D Hay, G Hoult, J Hoult, J Legrys, K Merrie MBE, N J Rushton, A C Saffell, C A Sewell, S Sheahan, N Smith, D E J Tebbutt, J Windram, A C Woodman and M B Wyatt

Officers: Mr J Arnold, Mrs T Bingham, Mrs M Long, Mrs B Smith, Miss E Warhurst and Mrs C Hammond

#### **45. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors R Johnson.

#### **46. DECLARATION OF INTERESTS**

There were no interests declared.

#### **47. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcements:

He advised Members that the Christmas Carol Service was being held at 7pm on Thursday, 19 December at Christ Church and that it would be wonderful to see all Members there.

He advised that Members would be aware of the deeply sad passing of Councillor David Stevenson and gave Members the opportunity to say a few words after a minute's silence that was observed in memory of one of the authority's dear fellow councillors.

Councillor T Gillard commented that David was the longest serving member of the council, having first been elected for the Valley ward in 1973 when North West Leicestershire District Council was first created. The ward later became known as the Worthington and Breedon ward and he was re-elected to it every four years leading to an unbroken service of over 46 years, which was quite remarkable. He was also a parish councillor for Worthington for a great number of years.

One of the reasons he was re-elected every term was the enormous respect he earned from his constituents. David cared about his communities and each and every day he showed passion and commitment to make a difference to people's lives.

He remembered that David was known and loved by every one of all political persuasions. David was a much-respected Chairman of the Planning Committee between May 2007 and May 2018 and this was a role he really enjoyed. He was a great speaker in the Council Chamber and his points were always of great merit. Councillor Gillard summed up by stating that David Stevenson would be sadly missed, particularly in the Chamber having taken his seat by his side over many years. He added that it would be very difficult for him and his colleagues to come to terms with his absence and that they had kept his seat for him at this meeting.

David is now at peace as he joins Joyce but he will never be forgotten in the Chamber.

David's funeral will be held at 11.45am on Thursday at Worthington Parish Church. It is a small church but there will be a marquee and speakers outside to accommodate more attendees and you are all welcome.

As a mark of respect, the flag at the Council Offices will fly at half-mast on Thursday.

Councillor S Sheahan commented that David had shown great dedication to the role of district councillor over the past 46 years and standing in 13 elections. Making such a commitment required great fortitude; an understanding family and a willingness help the residents of his ward. David has given great service to this Council and both he and his vast experience will be missed.

Councillor R Boam shared his first memory of David when they had met in 1981 when he was 10 years old and David had visited his home on the campaign trail, and the a few days later when out with friends, a very smartly dressed David had driven up to them and started chatting away to them. He was sure that David was just checking that they were behaving themselves. He stated that he knew he would like to be just like David, a well-respected member of the community and that he looked up to him. Councillor R Boam commented that he went to school with David's daughter and had got to know the family well and in later years turned to David for Planning advice. He was pleased to have been elected 5 years ago as it gave him the opportunity to work alongside David, who always had great advice, always listened, made site visits enjoyable and was always able to share a joke. He was a much-respected man. He recalled when Councillor N Smith and himself went round to David's house to discuss chairing Planning Committee, David got out his best bottle of red wine to be shared. He stated that David had made a lasting impression on him and area, and that he would never forget him or his advice. In his honour, he would go home after the meeting, open bottle of red and drink a toast to David.

Councillor N Smith remembered that Councillor N J Rushton and his self were first elected to the Council in 1987 when David was the party leader. He commented that nothing was ever too much trouble for David and he would help any fellow Councillor no matter what their political beliefs. His passions other than his family were the Council and fishing and shooting. He remembered Alison tripping over two ducks that "Steveo" had left by the back door for them. He was a great guy who would be sadly missed.

Councillor J Hoult commented that he remembered David from their first meeting at group when he was feeling lost; David sat next him and told him what to say. David had got him two tractors and two barn engines, but sadly never got all the pigeons, with reference to David's dislike of pigeons which he would always comment about on the Planning Site visits. If he was stuck and asked, a question David would always know the answer. He was proud to have known him and he would be missed.

Councillor D Harrison advised that Members spoke in tribute to David at the previous Council meeting and was pleased to have said there and then, what he wanted to say how much he appreciated David. He stated that David was unique and remembered the occasion that he had been asked to check on David's canvassing as they were not getting reports and when he went out with David, it became obvious, as everyone David met, he would know and speak to. He was a proper man of the people.

Councillor R Bayliss recollected that David was well established at the leader of the group when he was first elected in 1983 and had done the hard yards as the opposition. However, the crucial thing about David's character was when the group chose a different leader after the May 2007 election. David did not ride off in to the sunset in a huff but fully co-operated supported the new leader and that was the measure of the man. He would always abide by a democratic decision. He stated that David was probably not the most articulate speaker in the Chamber but you knew what was said was meant in full force and sincerity, which was how he gained so much respect. He had known David for over 40

years, and he may not have been a bosom friend but he was a part of the furniture. Anyone would be diminished by a loss and this was certainly the case with the loss of David.

Councillor D Everitt remembered going on the Planning site visits and David always having interesting facts about the countryside, and that after the committee meetings they would always meet up in Morrisons when shopping and discuss the meeting in a good natured way. He stated that when Joyce first became ill his wife visited in her nursing role. David had made her very welcome and she was pleased to have known them both.

Councillor R Blunt commented that all knew David was ill but he had still been very shocked when he got the call to say David had passed away. He felt that it was symbolic that the Council had met so soon after his death and before his funeral as the Council meant so much to David and he always tried to be at the meetings. He noted that David had been the founding father of the Council along with Frank Straw, whom he fought tooth and nail with but always worked together for what was best for the District. He remembered that he had first meet David, who was his Ward Member when he had returned from London and urged him to stand for election. From that moment onwards, he was incredibly kind, through private and shy and made him his Deputy. This came a surprise and they had worked together on the committee to appoint Christine. David had supported him in becoming the spokesperson for Planning and then likewise when he had become leader David took the role of Chair of Planning Committee and remained very loyal. He described David as the true epitome of a public servant who was devoted to the job and cared about politics. David had set an example to all.

Councillor J Bridges remembered when the Leader had asked him to become the Deputy Chair of Planning to assist David, but was advised that David may not ask or need help, however he was pleased to say that the Leader was wrong. He stated that David did share and asked questions and through that a friendship had formed. He stated that David was an honourable man and if you really did want to get to know David, you needed to have gone out and done the canvass. It took a long time, not just because of the distance but because everyone knew David and wanted to talk to him. He advised that anyone who wanted to be a councillor needed to be respected and known by the residents, as David was. He was a wonderful man who he could call his friend.

#### **48. LEADER'S AND PORTFOLIO HOLDERS' ANNOUNCEMENTS**

There were announcements.

#### **49. QUESTION AND ANSWER SESSION**

There were no questions received.

#### **50. QUESTIONS FROM COUNCILLORS**

Two questions had been received.

The Chairman invited Councillor J Geary to ask his question addressed to Councillor R Ashman.

#### **Travellers Site within our District**

"I would like to refer you to the return of the travellers who were located in Coalville, firstly on the town centre car park until the Police moved them on. They then decided to set up home on the old Snibston Discovery Park site on Ashby Road, allegedly destroying part of the fencing to enable them to gain access, at yet another cost to the Local Government taxpayer.

This will be the third time I have tabled a question at a Council meeting asking just what we are doing to address this problem and when will we have a Warden Controlled Site within our District.

I ask this question of Officers just to be told that they are still looking at sites and how many they have considered to date. Well maybe it's now time for me to say just looking at sites is no longer sufficient, we have been looking at sites for three years or more, we now need to identify and establish a traveller site as a priority so we are able to take some control of this ongoing problem.

Would the Portfolio Holder respond to the points I have made?"

The Chairman invited Councillor R Ashman to respond.

"The identification of suitable sites is a matter for the Local Plan Committee as part of the Substantive Review of the Local Plan.

In March 2018 officers had prepared a draft allocations document which identified a potential site for transit purposes at Ashby de la Zouch. However, members and the local community expressed significant concerns about this and so the plan was not taken forward. The plan had also identified a potential site for travelling showpeople on the former Measham Mine site. A planning application was subsequently submitted on this site for travelling showpeople but due to a change in the circumstances of ownership, this was withdrawn. Additional consultancy resource has recently been taken on to undertake a further search for potential sites.

The outcome of this will be a matter for the Local plan Committee in due course as part of the Substantive Review. It is anticipated that a draft plan will be published in 2020 which will identify potential sites."

The Chairman invited Councillor J Geary to ask a supplementary question.

Councillor J Geary's supplementary question was "As Portfolio Holder, can you guarantee that a site will be found in 2020 and planning permission applied for?"

Councillor R Ashman thanked Councillor J Geary for the question and stated that he could not guarantee, however he said that it would be dealt with and viable sites would be put before the Local Plan Committee in 2020. He stated that whatever route was taken it would have to be dealt with very carefully. Anything put before the Local Plan Committee would be for a temporary site.

The Chairman invited Councillor C Sewell to ask her question addressed to Councillor A Woodman.

a) What consideration has the Council given to the safety of glyphosate?

b) What would be the cost to the Council of -

- (1) an immediate cessation of its use of glyphosate
- (2) phasing it out over two years
- (3) Minimising its use?

The Chairman invited Councillor A Woodman to respond.

"Glyphosate is used and, as with all chemicals, usage is strictly controlled and kept to an absolute minimum. All the recommended safety precautions are adhered to, including the use of appropriate PPE, the delivery of regular training, and we are in close contact with

our suppliers for any health and safety updates that are released so we can modify our approach. In addition, we do proactively attempt to reduce chemical usage, an example of this being a steam machine that was recently purchased that can be used to kill weeds. We keep abreast of developments within the industry and are made aware of new products and methods coming onto the market that are safer and more environmentally friendly to use.

We are aware of the concerns around Glyphosate and the fact that it's been banned in some countries and that some local authorities in this country are also reviewing the use of it. This needs to be balanced against the fact that the US Environmental Protection Agency have stated it's unlikely to cause cancer in humans, the German pharmaceutical company Bayer have stated that Glyphosate based products can be used safely and that it is not carcinogenic, and that the EU has a 5 year licence to use Glyphosate until the end of 2022. Currently there are no comparable effective alternatives to Glyphosate that control weeds and their roots. Using steam, manual removal, or any alternative methods to kill weeds is far more time consuming, not as effective, and would prove extremely problematic on some of the more difficult areas that need treatment.

Our intention is to continue keeping its use to an absolute minimum with a view to stop using it totally when there is an equally effective alternative. To know the cost of ceasing its use immediately or phasing it out over 2 years is a complex piece of work and more time would be needed to assess this - not using Glyphosate and retaining the same levels of service would require additional manpower, equipment and vehicles"

The Chairman invited Councillor C Sewell to ask a supplementary question.

Councillor C Sewell's supplementary question was "Would the Portfolio Holder commit to providing a costing in a reasonable timescale?"

Councillor A Woodman stated that he would be happy to discuss with officers, adding that Colchester phased out usage with a cost £80K. He would see if the costings could be found and provided to Councillor C Sewell.

## **51. MOTIONS**

No motions were received.

## **52. PETITIONS**

No petitions were received.

## **53. MINUTES**

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

It was moved by Councillor J Bridges, seconded by Councillor V Richichi and

RESOLVED THAT:

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

#### **54. NOTIFICATION OF AN URGENT DECISION - NORTH WEST LEICESTERSHIRE LOCAL PLAN - PARTIAL REVIEW**

Cllr Ashman presented the report. He advised that at its meeting on the 16 July 2019 Cabinet agreed to undertake the preparation of both a Partial Review and a Substantive Review of the Local Plan. He stated that the Partial Review would focus solely upon the wording of Policy S1 in the adopted Local Plan with the only change being a revised date by which a wider, substantive review would be submitted.

He informed Members that the Local Plan Committee considered a report at its meeting on 2 October 2019, which sought approval to begin consultation on that basis. The committee passed an amendment to the recommendations, which also sought to make changes to policies S3 and Ec2(2).

He advised that the Local Plan Committee did not have the authority to make changes to documents and that instead, it is required to instruct Cabinet, as the Executive, to reconsider documents. That was done at the meeting of Cabinet on 29 November 2019 where it was decided to not agree to the amendment supported by the Local Plan Committee. He highlighted that the Partial Review must be submitted by 20 February 2020 to ensure that the plan does not become out-of-date, adding that it was a tight timetable and so it was not possible for the matter to be considered by Scrutiny, as well as then undertaking consultation and considering any comments received. He noted that therefore, the Chairman of the Council agreed to waive the Council's normal call-in process for Cabinet decisions.

Councillor R Ashman informed the Council that if the plan were to become out-of-date, it would prejudice the Council's ability to resist planning applications, which it would have otherwise regarded as being inappropriate, and that it was important that the authority retains control over planning in the district. He added that he knew members did not want the plan to be regarded as being out-of-date as the Council had been there before. He stated that it was for that reason that the steps had to be taken.

It was noted that the Local Plan Committee had met again on 13 November 2019 and that they supported the recommendation to begin consultation on the partial review, which started on 20 November 2019 and will run until 8 January 2020.

Councillor D Bigby stated that as the mover of amendment at Local Plan Committee that led to the current situation, a short explanation was required. He advised that the amendment was carried by 5 votes to 2 cross party. He advised that there were 2 parts to the amendment, the first sought to delete or modify policy EC2 part 2, in order to avoid further erosion of countryside. This followed the HEADNA report identifying a shortfall in employment land and, rather than designating sites, the policy opened the floodgates to allow employment anywhere in countryside. He highlighted the requirement that had been stated and advised that the requirement would be met with applications that had been or were due to be submitted. He stated that given the urgency of review, it was accepted that the review must proceed, however, it was essential that the employment land issue was addressed as part of full review and that the Council must obtain new and accurate figures and find suitable site.

Councillor M Hay stated that as a ward member for Castle Donington and a resident, planning was a big subject there. He stated that he would be supporting the review but only as he had been backed into a corner to do so. He felt that the debate had come late and was not going to the correct meetings. He urged Members not to accept the report before them as business as usual and that was not to happen again.

Councillor J Legrys accepted that the issue had been debated at Local Plan twice and again debated when he had spoken at Cabinet. In relation to the procedural issues before

them items 2 and 3 talk about the urgency of the issue and that the Monitoring Officer had treated it as an urgent matter with the waiver of call-in. He stated that the authority had a team professional planners working through the plan with their hands tied and that Councillor R Ashman had already spoken about the uncertainty of what could be achieved in the year, along with the uncertainty of the County's economic strategy. He informed Members that colleagues would accept the paper, however they had been put between a rock and a hard place as, if the review was not carried out the Council would be in a far worse position with an out of date Local Plan. He felt that there should be better cross party working to enable the best outcomes for the residents of the District and that lessons should be learnt so that a decent Local Plan could be delivered for North West Leicestershire.

Councillor R Ashman noted the comments made by Members and was pleased to hear the support.

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

RESOLVED THAT:

The report be noted

## **55. REVIEW OF POLLING DISTRICTS AND POLLING PLACES**

The Deputy Leader presented the report and advised Members that any changes to polling places would take effect from 2020 and not for the General Election.

Councillor R Blunt stated the parties had sat down and worked together to come up with the best compromise for polling places.

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

RESOLVED THAT:

1. The final proposals in respect of review, as set out in appendix a to the report be approved;
2. Authority be delegated to the Returning Officer to make, where necessary, alterations to the designation of any polling place prior to the next full review in consultation with Ward Members and Group Leaders.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.08 pm

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL  
COUNCIL – TUESDAY, 25 FEBRUARY 2020



<b>Title of Report</b>	<b>RECOMMENDATIONS OF THE INDEPENDENT REMUNERATION PANEL</b>	
<b>Presented by</b>	Councillor Robert Ashman, Deputy Leader	
<b>Background Papers</b>	<a href="#">The Local Authorities (Members' Allowances) (England) Regulations 2003</a>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	The recommendations of the IRP, if agreed by council, would incur costs of £42k which will be considered as part of the budget report.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	The Council is required by The Local Authorities (Members' Allowances) (England) Regulations 2003 to establish an Independent Remuneration Panel to advise on the level of remuneration to members for fulfilling their role.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are none.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To receive recommendations from the Independent Remuneration Panel on the Members' Scheme of Allowances.	
<b>Recommendations</b>	<p><b>THAT THE MEMBERS' ALLOWANCE SCHEME BE AMENDED TO TAKE EFFECT FROM ANNUAL COUNCIL ON 12 MAY 2020 (WHEN THE APPOINTMENTS TO COMMITTEES ARE AGREED) AS FOLLOWS:-</b></p> <p><b>(1) THE BASIC ALLOWANCE TO BE INCREASED FOR ALL MEMBERS TO £5,027.10 PER ANNUM;</b></p> <p><b>(2) THE SPECIAL RESPONSIBILITY ALLOWANCE IN RESPECT OF THE PLANNING CHAIRMAN TO BE INCREASED FROM A MULTIPLE OF 1.3 TO 1.5;</b></p> <p><b>(3) THE SPECIAL RESPONSIBILITY ALLOWANCES IN RESPECT OF THE CHAIRMEN OF AUDIT &amp; GOVERNANCE, LICENSING, LOCAL PLAN &amp; THE SCRUTINY COMMITTEES TO BE REDUCED FROM A MULTIPLE OF 1.3 TO 0.5; ON THE UNDERSTANDING THAT SCRUTINY WOULD BE REVISITED ONCE ANY CHANGES FOLLOWING THE RECOMMENDATIONS OF THE PEER REVIEW HAD BEEN EMBEDDED.</b></p>	

## **1.0 BACKGROUND**

- 1.1 The Independent Remuneration Panel (IRP) received a request in September 2019 to review the Scheme of Allowances in respect of the level of basic allowance and the Special Responsibility Allowances (SRAs) paid to Members on the basis they have not been reviewed for some time and that it was felt there was a disparity in the workloads of the Committee Chairmen.
- 1.2 The Council is required by The Local Authorities (Members' Allowances) (England) Regulations 2003 to establish an Independent Remuneration Panel to advise on the level of remuneration to members for fulfilling their role as Members.

## **2.0 THE INDEPENDENT REMUNERATION PANEL**

2.1 The Panel's membership is as follows:-

- Stephen Barkby
- Margaret Dadley
- Elaine Oldham
- Trevor Moore

2.2 The Panel's terms of reference are as follows:-

- To make recommendations to the authority as to the amount of basic allowance that should be payable to its elected Members;
- To make recommendations to the authority about the responsibilities or duties which should lead to the payment of a special responsibility allowance and as to the amount of such an allowance;
- To make recommendations to the authority about the duties for which a travelling and subsistence allowance can be paid and as to the amount of this allowance;
- To make recommendations on whether any allowance should be backdated to the beginning of a financial year in the event of the scheme being amended;
- To make recommendations as to whether annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should run.

2.3 Since its establishment, the Panel's approach has been that recommendations should be formulated appropriate to the circumstances of the Council. The following underlying principles form the fundamental basis of the Panel's review process:

- Allowances should take account, as far as possible, of the amount of time taken by members to fulfil their roles.
- The scheme should enable, as far as practical, that as wide a range of people as possible should be able to stand for election.
- Allowances are not a salary but a level of 'compensation';
- Any increases to the scheme which might be recommended should be balanced against the interests of the council tax payers in the district.
- Special Responsibility Allowance payments should be banded to reflect both the time commitment and workload of the identified special responsibilities;
- The assumption is made that all members will participate as fully as possible in council business and play an active role in their wards and the importance of these mutually inclusive roles is reflected in the level of the basic allowance.

## **3.0 THE PANEL'S APPROACH**

3.1 The IRP met on 8 October 2019 to consider a request to review the Scheme of Allowances in respect of the level of basic allowance and the SRAs paid to Members.

3.2 At this meeting, the Panel agreed to look at the level of allowances but sought additional information to help inform any decision it makes. The Panel sought more information on

- Benchmarking - comparisons with other Councils in Leicestershire on population, budgets, number of councillors, allowances paid
- Committees - how often they meet, a typical agenda and other workload issues
- Councillors - how many meetings they attend, any other factors

3.3 The Panel was furnished with the above data ahead of a further meeting which was held on 27 January 2020.

3.4 The Panel considered whether there should be a minimum attendance rate at meetings in order to qualify for a basic allowance. However, it was acknowledged that attendance at meetings played only a small part of the work of a councillor. Consideration was given to their work in the community, their portfolio areas, where appropriate, and their respective roles at Committees.

#### **4.0 THE PANEL'S CONCLUSIONS**

4.1 It was noted that the basic allowance was last increased in 2008. It had been revisited a number of times over the years since, but the decision had been not to increase as, at the time, it was in line with that paid by neighbouring authorities and the Panel concluded that there was no justification for an increase.

4.2 Having looked at the comparative data of neighbouring authorities in some detail, it was agreed that the level of basic allowance now fell short in comparison. In order to bring the level in line with others, an average figure of the allowances paid by the neighbouring authorities which were the closest in size in terms of population, budgets, number of councillors etc. was agreed as the basic allowance.

4.3 The Panel wished to ensure that the basic allowance was set at a level that did not discourage individuals from putting themselves forward as councillors but also recognised the voluntary nature of the role.

4.4 The Panel further concluded that, having taken into account the number of meetings and briefings and the level of work which is undertaken outside of these meetings, there was indeed a disparity in the workloads of the Chairmen of the Committees. However, the Panel did not feel that this warranted an increase in each of the SRAs. Following careful consideration of each of the types of Committee and the responsibility of each of the Chairmen, it was agreed that some of the SRAs should be decreased to reflect the lower levels of workloads in some cases.

4.5 The Panel agreed to retain the current method of applying a multiple of the basic allowance to calculate the level of SRAs. They determined each Committee Chairman's SRA on its own merits in order to agree on the multiple to be applied.

4.6 It was accepted that the scrutiny function was subject to change following the recent Peer Review and the Panel agreed to revisit this once any changes had been embedded.

4.7 The argument which had been made that the role of the Chairman of Planning Committee was significantly more involved than the role of other Chairmen, was supported.

4.8 Consideration was given to the timing and it was agreed to commence any changes from May 2020 given that the formal request to the IRP to consider this matter was only received in September, after the elections and after the appointments to Committees had been made. Some of the allowances have been reduced and if it was backdated, some

members will incur overpayments which would need to be re-paid. The IRP felt standing for election and making appointments to seats on Committees were done in full knowledge of the rates of allowances at that time. By commencing from May 2020, members will be aware of the rates before the appointments take effect.

4.9 The Panel acknowledged the current practices of

- increasing the basic allowance and the SRAs annually on 1 April by the same percentage as the National Joint Council staff award (scp 28) and
- where a councillor undertakes additional duties which attract more than one SRA, they will receive 100% of the higher allowance and 50% of the other.

and it was agreed that these remain in the Scheme.

## 5.0 FINANCIAL IMPLICATIONS

5.1 Whilst there is no recommended change to the multiples in respect of the SRAs for the Leader, Chairman, Deputy Chairman and Portfolio holders, the change to the basic allowance sees a resultant increase to the overall total of these SRAs.

5.2 The allowances paid under the current Scheme are shown in table 1. The allowances that would be paid should the recommendations be agreed are shown in table 2.

5.3 The increase in the costs of the recommendations of the IRP, if agreed by council, is considered in the budget report which is later on this agenda.

**Table 1 – current allowances**

	<b>Multiple</b>	<b>2019/20 (£)</b>
	Basic Allowance	4,011.79
Chairman of the Council	1	4,011.79
Deputy Chairman of the Council	1/8 (12.5%)	501.47
Leader of the Council	4	16,047.16
Deputy Leader of the Council	2.5	10,029.48
Portfolio Holder	1.5	6,017.68 (x4)
Opposition Leader	1	4,011.79
Chairman (Scrutiny Committee)	1.3	5,215.33 (x2)
Chairman (Local Plan Committee)	1.3	5,215.33
Chairman (Planning Committee)	1.3	5,215.33
Chairman (Licensing)	1.3	5,215.33
Chairman (Audit & Governance)	1.3	5,215.33
TOTAL COST	Basic SRAs TOTAL	152,448.02 89,964.39 <b>242,412.41</b>

**Table 2 – proposed allowances**

	<b>Multiple</b>	<b>2020/21 (£)</b>
	Basic Allowance	5,027.10
Chairman of the Council	1	5,027.10
Deputy Chairman of the Council	1/8 (12.5%)	628.38
Leader of the Council	4	20,108.40
Deputy Leader of the Council	2.5	12,567.75
Portfolio Holder	1.5	7,540.65 (x4)
Opposition Leader	1	5,027.10
Chairman (Scrutiny Committee)	0.5	2,513.55 (x2)
Chairman (Local Plan Committee)	0.5	2,513.55

Chairman (Planning Committee)	1.5	7,540.65
Chairman (Licensing)	0.5	2,513.55
Chairman (Audit & Governance)	0.5	2,513.55
TOTAL COST	Basic	191,029.80
	SRAs	93,629.73
	TOTAL	<b>284,659.53</b>
	Overall difference	£42,247.12

## 6.0 RECOMMENDATIONS

- 6.1 Having given due regard to all the information provided, the Independent Remuneration Panel is recommending that Council makes changes to the Members' Scheme of Allowances to take effect from 12 May 2020. The recommendations are set out at the top of this report.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	Not applicable
Policy Considerations:	Not applicable
Safeguarding:	No issues identified
Equalities/Diversity:	No issues identified
Customer Impact:	No issues identified
Economic and Social Impact:	No issues identified
Environment and Climate Change:	No issues identified
Consultation/Community Engagement:	Not applicable
Risks:	There is a reputational risk to the Council when increasing allowances to Councillors.
Officer Contact	Melanie Long, Democratic Services Team Manager <a href="mailto:Melanie.long@nwleicestershire.gov.uk">Melanie.long@nwleicestershire.gov.uk</a> 01530 451511

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – TUESDAY, 25 FEBRUARY 2020



<b>Title of Report</b>	<b>BUDGET AND COUNCIL TAX 2020/21</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<p><a href="#">Corporate Scrutiny Committee Draft Minutes</a> – 7 November 2019</p> <p><a href="#">Draft Budget Proposals</a> – Cabinet 10 December 2019</p> <p><a href="#">Coalville Special Expenses Working Party Draft Minutes</a> – 17 December 2019</p> <p><a href="#">Corporate Scrutiny Committee Draft Minutes</a> – 8 January 2020</p> <p><a href="#">General Fund and Special Expenses Budget Proposals for 2020/21, Housing Revenue Account (HRA) Budget Proposals for 2020/21, 2020/21-2024/25 Capital Programmes and 2020/21 Capital Strategy</a> and <a href="#">2020-2025 Medium Term Financial Plans</a> - Cabinet 4 February 2020</p>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	<p>This report sets out the General Fund, Housing Revenue Account, Special Expenses and Capital Programmes for 2020/21, which are needed for the Council to continue its activities.</p> <p>It also seeks approval for a wide range of fees and charges for 2020/21, including Council Tax, Rents and other charges. These are set out in the recommendations section.</p>	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	As detailed in the report	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	As detailed in the report	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To allow the Council to approve the 2020/21 budgets and the appropriate Council Tax setting resolution.	
<b>Recommendations</b>	<p><b>COUNCIL IS RECOMMENDED:</b></p> <ol style="list-style-type: none"> <li>1. TO NOTE THE MEDIUM TERM FINANCIAL STRATEGY APPROVED BY CABINET ON 4 FEBRUARY 2020.</li> <li>2. TO NOTE THE S151 OFFICER'S COMMENTS ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES.</li> </ol>	

3. TO APPROVE THE GENERAL FUND REVENUE BUDGET FOR 2020/21.
4. TO APPROVE THE SPECIAL EXPENSES REVENUE BUDGET FOR 2020/21.
5. TO FREEZE THE DISTRICT COUNCIL TAX IN 2020/21.
6. TO SET THE SPECIAL EXPENSES BAND D COUNCIL TAX AS APPENDIX 6 TABLE C FOR 2020/21.
7. TO APPROVE THE GROUND RENT INCREASE AT APPLEBY MAGNA CARAVAN SITE OF 2.6% ON THE ANNIVERSARY OF EACH INDIVIDUAL RENT AGREEMENT IN 2020/21.
8. TO APPROVE THE AMENDMENTS TO THE GENERAL FUND FEES AND CHARGES AS DETAILED IN APPENDIX 3B EFFECTIVE FROM 1 APRIL 2020.
9. TO APPROVE THE TRANSFER OF ANY GENERAL FUND SURPLUS INCOME OVER EXPENDITURE IN 2020/21 TO THE SELF SUFFICIENCY RESERVE (CURRENTLY BUDGETED AS £630,368).
10. TO APPROVE THE INCREASE IN COUNCIL RENTS FOR 2020/21 BY UP TO 2.7%
11. TO APPROVE THE INCREASE IN GARAGE RENTS FOR 2020/21 BY 2.6%.
12. TO APPROVE THE DECREASE IN CENTRAL HEATING CHARGES FOR 2020/21 BY 10%.
13. TO APPROVE THE AVERAGE INCREASE OF 0.44% IN SERVICE CHARGE FOR 2020/21, AS SET OUT IN APPENDIX 4D.
14. TO APPROVE INCREASING THE LIFELINE CHARGES FOR EAST MIDLANDS HOUSING AND PRIVATE CUSTOMERS BY 2.6%.
15. TO APPROVE INCREASING SHOP LEASE RENTS BY AN AVERAGE OF 14% TO GRADUALLY MOVE THEM TO MARKET LEVELS. THIS APPROACH WAS AGREED BY CABINET IN NOVEMBER 2014.
16. TO NOTE THAT THE SURPLUS HOUSING REVENUE ACCOUNT INCOME IS TRANSFERRED TO THE LOAN REDEMPTION RESERVE, BUT THAT CABINET MAINTAINS THE ABILITY TO USE THE SURPLUSES MORE FLEXIBLY NOW THE RESERVE HAS SUFFICIENT MONEY TO REPAY THE LOANS DUE IN 2020. THIS APPROACH WAS APPROVED BY COUNCIL IN 2019/20.
17. TO DELEGATE AUTHORITY TO THE SECTION 151 OFFICER IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER TO MAKE AMENDMENTS TO THE

**GENERAL FUND AND HRA BUDGETS FOR 2020/21 AS APPROPRIATE WHERE:**

**(1) THE PARLIAMENTARY DEBATE ON THE FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT OCCURS AFTER THIS MEETING; AND/OR**

**(2) SHOULD COUNCIL DECIDE NOT TO ACCEPT THE RECCOMENDATIONS OF THE INDEPENDENT REMUNERATION PANEL**

**18. TO APPROVE THE PROPOSED GENERAL FUND AND HOUSING REVENUE ACCOUNT CAPITAL PROGRAMMES FOR 2020/21 AND PLANNED FINANCING.**

**19. TO APPROVE THE VEHICLE REPLACEMENT PROGRAMME FOR 2021/22.**

**20. TO APPROVE THE CAPITAL PROGRAMMES 2021/22 – 2024/25 FOR INDICATIVE PROPOSES ONLY.**

**21. TO APPROVE THE 2020/21 CAPITAL STRATEGY (IN LINE WITH THE PRUDENTIAL CODE).**

**22. TO APPROVE THE FOLLOWING AMOUNTS FOR THE YEAR 2020/21 IN ACCORDANCE WITH SECTIONS 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:**

**(1) 34,585 BEING THE AMOUNT CALCULATED BY THE COUNCIL, IN ACCORDANCE WITH REGULATION 3 OF THE LOCAL AUTHORITIES (CALCULATION OF COUNCIL TAX BASE (ENGLAND)) REGULATIONS 2012, AS ITS COUNCIL TAX BASE FOR THE YEAR.**

**(2) THE AMOUNTS SPECIFIED IN APPENDIX 6 TABLE A OF THIS REPORT BEING THE AMOUNTS CALCULATED BY THE COUNCIL, IN ACCORDANCE WITH SECTION 34 OF THE LOCAL GOVERNMENT FINANCE ACT 1992, AS THE AMOUNT OF ITS COUNCIL TAX BASE FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH ONE OR MORE SPECIAL ITEMS RELATE.**

**23. TO APPROVE THAT THE FOLLOWING AMOUNTS BE NOW CALCULATED BY THE COUNCIL FOR THE YEAR 2020/21 IN ACCORDANCE WITH SECTIONS 31A AND 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:**

**(1) DISTRICT/PARISH GROSS EXPENDITURE £59,786,409 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (2) OF THE ACT.**

**(2) INCOME**

£51,542,070 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (3) OF THE ACT.

**(3) DISTRICT/PARISH GROSS EXPENDITURE**

£8,244,339 BEING THE AMOUNT BY WHICH THE AGGREGATE AT 23(1) ABOVE EXCEEDS THE AGGREGATE AT 23(2) ABOVE, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31A (4) OF THE ACT AS ITS COUNCIL TAX REQUIREMENT FOR THE YEAR.

**(4) BASIC AMOUNT OF TAX (INCLUDING AVERAGE PARISH PRECEPTS)**

£238.38 BEING THE AMOUNT AT 23(3) ABOVE, DIVIDED BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL'S AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31 B OF THE ACT AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR THE YEAR.

**(5) PARISH PRECEPTS/SPECIAL EXPENSES**

£2,759,849 BEING THE AGGREGATE AMOUNT OF ALL SPECIAL ITEMS REFERRED TO IN SECTION 35(1) OF THE ACT.

**(6) BASIC AMOUNT OF TAX (BASIC COUNCIL TAX – DISTRICT)**

£158.58 BEING THE AMOUNT AT 23(4) ABOVE LESS THE RESULT GIVEN BY DIVIDING THE AMOUNT AT 23(5) ABOVE BY THE AMOUNT AS STATED AS THE COUNCIL TAX BASE FOR THE WHOLE OF THE COUNCIL AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(2) OF THE ACT, AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH NO SPECIAL ITEMS RELATES.

**(7) BASIC AMOUNT OF TAX (PARISHED AREAS)**

THE AMOUNTS LISTED IN COLUMN 5 OF TABLE B APPENDIX 6 TO THIS REPORT, BEING THE AMOUNTS GIVEN BY ADDING TO THE AMOUNT AT 23(6) ABOVE, THE AMOUNTS OF THE SPECIAL ITEM OR ITEMS RELATING TO DWELLINGS IN THOSE PARTS OF THE COUNCIL'S AREAS MENTIONED, DIVIDED IN EACH CASE BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL ARE, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(3) OF THE ACT AS THE BASIC AMOUNTS OF ITS COUNCIL TAX FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREAS TO WHICH ONE OR MORE SPECIAL ITEMS RELATE.

**(8) DISTRICT/PARISH COUNCILS TAX RATES**

THE AMOUNTS SET OUT IN TABLE C APPENDIX 6 TO THIS REPORT BEING THE AMOUNTS GIVEN BY

MULTIPLYING THE AMOUNTS AT 23(6) AND 23(7) ABOVE BY THE NUMBER WHICH, IN THE PROPORTION SET OUT IN SECTION 5(1) OF THE ACT, IS APPLICABLE TO DWELLINGS LISTED IN A PARTICULAR VALUATION BAND DIVIDED BY THE NUMBER WHICH IN THAT PROPORTION IS APPLICABLE TO DWELLINGS LISTED IN VALUATION BAND D, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 36(1) OF THE ACT AS THE AMOUNTS TO BE TAKEN INTO ACCOUNT FOR THE YEAR IN RESPECT OF CATEGORIES OF DWELLING LISTED IN DIFFERENT VALUATION BANDS.

**24. MAJOR PRECEPTING AUTHORITIES**

THAT IT BE NOTED THAT THE AMOUNTS SET OUT IN TABLE D APPENDIX 6 TO THIS REPORT ARE THE AMOUNTS NOTIFIED BY LEICESTERSHIRE COUNTY COUNCIL, LEICESTERSHIRE POLICE AND CRIME COMMISSIONER AND THE COMBINED FIRE AUTHORITY IN ACCORDANCE WITH SECTION 40 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS THEIR PRECEPTS FOR 2020/21 FOR EACH OF THE CATEGORIES OF DWELLINGS LISTED.

**25. COUNCIL TAX BASE – ALL BANDS**

THAT, HAVING CALCULATED THE AGGREGATE IN EACH CASE OF THE AMOUNTS AT 23(8) (TABLE C APPENDIX 6) AND 24 (TABLE D APPENDIX 6) ABOVE, THE COUNCIL IN ACCORDANCE WITH SECTION 30(2) OF THE LOCAL GOVERNMENT FINANCE ACT 1992 HEREBY SETS THE AMOUNTS OF COUNCIL TAX FOR THE COUNCIL'S AREA FOR THE YEAR 2020/21 FOR EACH OF THE CATEGORIES OF DWELLINGS AS SHOWN IN TABLE E APPENDIX 6.

**26. REFERENDUMS RELATING TO COUNCIL TAX INCREASES**

TO NOTE THAT THE RELEVANT BASIC AMOUNT OF COUNCIL TAX FOR 2020/21 IS NOT EXCESSIVE.

**1.0 INTRODUCTION**

- 1.1 The Council is required to approve the General Fund, Housing Revenue Account and Special Expenses Budgets for 2020/21 together with their respective Capital Programmes. In line with Prudential Code 2017 there is a requirement for members to approve a Capital Strategy alongside the Capital Programme for the forthcoming year.
- 1.2 There is also a statutory requirement under the Local Government Finance Act 1992 (as amended) to set the Council Tax for the area for a financial year by 11 March of the preceding financial year.
- 1.3 This action of setting the Council Tax (recommendations 22 to 26) flows from the approval of the budgets and capital programmes. The wording of the recommendations for this is largely prescribed.
- 1.4 The Council Tax setting part of this report is based on Leicestershire County Council approving the precepts that the Council has been advised of at their meeting on 19 February

2020. As this meeting does not take place until after the issue of this report, any changes made by Leicestershire County Council will be reflected in a revised paper which may need to be tabled at the meeting.

- 1.5 The precepts of Leicestershire Combined Fire Authority and the Police and Crime Commissioner for Leicestershire (the Council's remaining two major precepting authorities) have confirmed their precepts at their respective meetings on 12 and 5 February 2020.
- 1.6 The 2020/21 General Fund, Housing Revenue Account and Special Expenses budgets together with the respective Capital Programmes were considered by Cabinet on 4 February 2020. The detailed reports are set out as below:
  - General Fund and Special Expenses Revenue Budgets – Section 3.
  - Housing Revenue Account Budget and Rent decrease – Section 4
  - Capital Programmes – Section 5.
  - Council Tax Setting – Section 6.
- 1.7 Section 2 of this report details the Medium Term Financial Plans 2020-2025 that were approved by Cabinet on 4 February 2020 (included in Appendix 2). The plans present a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over the 5 period from April 2020 across both the General Fund and Housing Revenue Accounts. The plans are made available to all members to ensure that in setting the annual 2020/21 budget, members have reference to the medium term financial position of the Council.
- 1.8 The final General Fund and HRA budgets include savings targets set under the Journey to Self Sufficiency Programme. Full details of the programme can be found in the Medium Term Financial Plans, in Appendix 2 to this report.
- 1.9 Members should be aware that the parliamentary vote on the Final Local Government Finance Settlement for 2020/21 has been delayed and is likely to take place week commencing 24 February 2020, although the actual date has not been confirmed at the time of writing this report. This means that, given the information available at the time of writing, the council could be setting their budgets and council tax based on estimates, before the final settlement has been formally approved by parliament. Our approach is in line with the Local Government Finance Act 1992 (section 30(6)) which provides that the council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
- 1.10 Additionally, elsewhere on this evenings Council agenda members have considered the report of the Independent Remuneration Panel (IRP) in respect of changes to the member's allowances scheme from May 2020. The final General Fund and HRA budgets presented to Council this evening have been amended (since they were presented to Cabinet on 4 February 2020) to include the implications of the proposed changes to the members allowances scheme in case members approve the recommendations of the IRP.
- 1.11 Should the parliamentary debate have not been concluded by the time Full Council meets to consider this report, and/or Council decide not to improve the recommendations of the IRP, then a delegation to the Head of Finance is sought to make the consequential adjustments to the budget after this meeting with reference to the materiality of those changes, in line with the council's own materiality level which is currently £699,000 (as agreed by Audit and Governance Committee in March 2019) and in consultation with the Corporate Portfolio Holder. In the unlikely event that changes required as a result of the parliamentary debate are of a value in excess of the council's materiality level, the Head of Finance may consider it necessary for Council to approve a revised budget at a future meeting.
- 1.12 **Robustness of Estimates and Adequacy of Reserves (Statement to comply with Section 25, Local Government Act 2003)**

- 1.13 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.
- 1.14 The Section 151 Officer considers that the estimates which form the General Fund, Housing Revenue Account and Special Expenses budget are robust and prudent, and the proposals are deliverable for 2020/21.
- 1.15 The Section 151 Officer also considers that the overall level of General Fund, Housing Revenue Account and Special Expenses reserves are adequate for 2020/21.
- 1.16 The Section 151 notes the following in respect of the General Fund:
- a) 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.
  - b) 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.
  - c) 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.
  - d) 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.
  - e) 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.
  - f) 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.
- 1.17 The Section 151 notes the following in respect of the Housing Revenue Account:
- a) The council's current projections within the HRA MTFP show a stable 5 year financial position. The plan now also includes £2.6m of targeted Journey to Self-Sufficiency savings.
- 1.18 **Consultation Process**
- 1.19 The budget consultation for 2020/21 consisted of scrutiny by members of the Corporate Scrutiny Committee, Coalville Special Expenses Working Party, statutory consultation and public and tenant consultation.

## **General Fund and Special Expenses Revenue Budget 2020/21**

### **Corporate Scrutiny Committee**

- 1.20 There was a new step in the process in the annual budget setting process for 2020/21, with a report taken to the 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 and are included within this budget report for Council approval.
- 1.21 The Corporate Scrutiny Committee met on 8 January 2020 to review all the proposed budgets for 2020/21. There was no comments resulting in budget changes from the committee in this budget report.

### **Statutory Consultation**

- 1.22 The statutory consultation on the 2020/21 budget proposals commenced on the 18 December 2019 and closed on the 4 February 2020. 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 the budget reports and given the opportunity to provide feedback. There was one response received from Measham Parish Council who were supportive of the budget proposals. The response is included in Appendix 1a.

### **Coalville Special Expenses Working Party**

- 1.23 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 paper 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.”

### **Public Consultation**

- 1.24 An online consultation commenced on 13 January 2020 and closed on 3 February 2020. The survey asked respondents to rate how supportive they are of budget proposals from “very supportive” to “very unsupportive”, and provided an opportunity to add comments. We also ran a large scale social media campaign to publicise the consultation which reached thousands of our followers. We received a total of 144 responses, a summary of the responses is provided in Appendix 1a.

## **Housing Revenue Account (HRA) Budget Proposals for 2020/21**

### **Corporate Scrutiny Committee**

- 1.25 The Corporate Scrutiny Committee considered the HRA budget proposals alongside those for the General Fund, as detailed in paragraphs 1.20 and 1.21. Members of the Committee questioned whether we should write to all tenants regarding the budget changes. After carefully considering this suggestion we have concluded our already-enhanced approach to consultation this year to be satisfactory. 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.

### **Performance and Finance Working Group**

- 1.26 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.
- 1.27 Their main feedback was that they would prefer 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 rents, as it would enable us to continue to invest in the service and

homes we provide.

### **Tenants and Leaseholders Forum**

- 1.28 The tenants and leaseholders Forum (the Forum) is group of tenants and leaseholders who provide feedback on the housing service. The papers from the Performance and Finance Working Group feed into the Forum. They reviewed the proposed budget on 27 January 2020.
- 1.29 There was some support for the increase in rents, as long as it is reinvested into the properties. They also discussed the planned increase to HRA shop leases of 14% to bring them in line with market rents, and were content once they knew the shops were not located in the centre of Coalville.

### **Public Consultation**

- 1.30 The HRA online survey mirrored that of the General Fund, described in paragraph 1.24. We also ran a large scale social media campaign to publicise the consultation which reached thousands of our followers. We received a total of 39 responses, 7 of which were tenants. A summary of the responses is provided in the Appendix 1b.

## **Capital Programmes – General Fund and HRA 2020/21-2024/25**

### **Corporate Scrutiny Committee**

- 1.31 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.
- 1.32 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.

### **Involved Tenants (HRA Only)**

- 1.33 Both the Performance and Finance Working Group and Tenants and Leaseholders Forum were supportive of the HRA Capital Programme. Both groups asked how we will reduce the carbon footprints of our new homes. This is something officers are looking at as part of our work to review our carbon footprint.

### **Trade Unions**

- 1.34 Trade Unions have been provided with a copy of the budget reports and given the opportunity to provide feedback. No comments have been received.

### **Public Consultation**

- 1.35 The General Fund and HRA online surveys both included detailed on their respective capital programmes. A summary of the responses is provided in the Appendix 1a and 1b. The key themes were:
- On the General Fund, there was mixed support for the capital programme 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, with respondents expressing their views of what should become of the site in Coalville.
  - On the HRA, there was overall support for the capital programme; particularly on improving our existing homes and plans to build or purchase new homes. The area of least support was for a pilot to regenerate one of our estates, with 41% showing support verses 31% being unsupportive.

## **2.0 MEDIUM TERM FINANCIAL PLANS 2020-2025**

- 2.1 The Medium Terms Finances Plans 2020/21 to 2024/25 were approved by Cabinet at its meeting on 4 February 2020. The plans present a revised position based on the projected 2019/20 financial outturn and 2020/21 budget presented to members. The predicted deficit arising on the General Fund over the period is £968k. The Housing Revenue Accounts is predicting a surplus of £4.6m over the same period.
- 2.2 Both plans now include targeted savings as part of the Journey to Self-Sufficiency Programme which serve to achieve the predicted deficit on the General and surplus on the HRA over the period. The value of savings built into plans over the period are £5.1m for the General Fund and £2.6m for the HRA.
- 2.3 The 2020/21 – 2024/25 Medium Term Financial Plans as approved by Cabinet on 4 February can be found in Appendix 2.

## **3.0 GENERAL FUND AND SPECIAL EXPENSES BUDGET 2020/21**

- 3.1 The General Fund and Special Expenses budget proposals for 2020/21 were considered by Cabinet on 4 February 2020 and are recommended to Council for approval. See recommendations 1 to 9, as set out at the front of this report.
- 3.2 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed below, the 2020/21 budgeted contribution General Fund reserves is £630k which would take the projected Self-Sufficiency reserve to £5.16m by March 2021. The Budget Summary for 2020/21 can be found in Appendix 3c.
- 3.3 **Budget Setting Context**
- 3.4 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 earlier in 2019 in the Spending Review and local government finance settlement technical consultation.
- 3.5 As detailed in section 1 of this report, Members are asked to that the parliamentary vote on the Final Local Government Finance Settlement for 2020 to 2021 has been delayed and is likely to take place week commencing 24 February 2020. This means that, given the information at the time of writing this report, the council could be setting their budgets and council tax based on estimates, before the final settlement has been formally approved by parliament. A specific delegation is sought for the Head of Finance to make any consequential budget changes should the final settlement not be in line with the Council's estimates. This delegation has also been requested for the Head of Finance to be able to amend the budget should the recommendations of the Independent Remuneration Panel, included in a separate paper on Council's agenda, not be agreed by Council.
- 3.6 As detailed earlier in the report, Journey to Self-Sufficiency Programme savings have now been incorporated into the budget, with the value for 2020/21 for the General Fund being £570k.
- 3.7 From 2021, the Local Government sector faces a number of funding changes as a result of the Fair Funding Review, the Business Rates Retention System review and the Local Government Spending Review. A scenario analysis has been undertaken to demonstrate the range in effect of possible outcomes of local government funding reviews within the Medium Term Finance Plan (Appendix 2).

### 3.8 **General Fund 2019/20 – Projected Outturn**

3.9 The uncommitted balance on the General Fund is currently £1.5m which reflects the minimum operating balance approved as part of the 2018 Medium Term Financial Strategy.

3.10 The third quarter Performance Report is due to be considered by Cabinet in April and will present the 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.

3.11 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. The reserve is forecast to stand at £4.53m by March 2020.

3.12 The forecast outturn position presented as part of Appendix 3c is based on the forecast outturn at Period 9.

### 3.13 **2020/21 General Fund Net Revenue Expenditure**

3.14 The Councils net revenue expenditure position is affected by three main elements which include: the net revenue expenditure in relation to the provision of services 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.

3.15 For 2020/21, there has been an increase in net revenue compared to 2019/20 of £488k. 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). 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 Minimis 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”.
- d) Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures, the total of these is £865k.
- e) Service Development - Proposed additional budget provision to cover

enhancement of the service. The total value of service development proposals is £1.45m.

- 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.

3.16 A full list of proposals as outlined above can be found in Appendix 3a and further information in relation to the Savings, Cost Pressure and Service Developments can be found in the General Fund budget reports presented to Cabinet on the 10 December 2019 and 4 February 2020. A link to the Cabinet Meetings is included in the background papers on page one.

3.17 There has been one amendment to the budget since it was presented to Cabinet on the 4 February. A verbal update of the amendment was provided at the Cabinet meeting. As detailed in paragraph 1.10 above, the amendment is to reflect the decision of the IRP to increase member's allowances. The impact of the General Fund is an additional £35k, this has been included as a cost pressure within the total in paragraph 3.15(d).

### 3.18 Fees and Charges

3.19 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.

3.20 Appendix 3b provides a comparison of 2019/20 and 2020/21 Fees and Charges for those fees that have changed. 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.

### 3.21 2020/21 Funding

3.22 For 2020/21 there is an estimated increase in total funding of £957k.

3.23 We expect to receive nil Revenue Support Grant in 2020/21.

3.24 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.

3.25 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.

- 3.26 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.
- 3.27 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.
- 3.28 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.
- 3.29 **Indicative Budget Position 2021/22 – 2024/25**
- 3.30 Included in Appendix 3c for illustrative purposes only is the forecast revenue budget position for 2021/22 to 2024/25. These estimates have been developed by budget holders across the Council, taking into consideration known budgetary changes and assumed inflationary increases.
- 3.31 **Special Expenses**
- 3.32 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 over-spend 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).
- 3.33 In line with the precept freeze for the Council's share of Council Tax, the precepts for special expenses have been frozen since 2010.
- 3.34 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 and plans to maintain and improve assets managed by the Special Expense accounts are carried out.
- 3.35 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.
- 3.36 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:

#### **Band D Special Expenses Council Tax**

	<b>19/20</b>	<b>Increase</b>	<b>20/21</b>
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

3.37 The Special Expenses Budget Summary for 2020/21 can be found in Appendix 3d.

#### **4.0 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2020/21**

4.1 The proposed Housing Revenue Account budget proposals for 2020/21 were considered by Cabinet on 4 February 2020 and are recommended to Council for approval. See recommendations 9 to 16, are set out at the front of this report. A summary of the 2020/21 HRA budget can be found in Appendix 4a.

#### **4.2 Budget Setting Context**

4.3 The budget has been prepared in accordance with Government's new rent policy, which allows for rents to be increased by up to 1% above inflation, as measured by the Consumer Price Index, for the next five years. This follows a policy of 1% rent reductions for the past four years.

4.4 The revised approach and ethos of the Council's Journey to Self-Sufficiency 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. This new approach builds on the 'One Team, One Council' approach to make the most of resources and reinvestment opportunities and being the best Council we can possibly be across all services.

4.5 The Journey to Self-Sufficiency Programme now includes the HRA, to ensure that our tenants also benefit from this wider corporate work to reduce our costs or increase our income. As a result, a savings target of £225k has been built into the 2020/21 budget and medium term financial plan.

#### **4.6 2019/20 HRA Budget Position – Projected Outturn**

4.7 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.

4.8 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 Council's approval 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.

#### **4.9 2020/21 Housing Revenue Account Budget**

4.10 The 2020/21 HRA budget is based upon the 2019/20 budget, with adjustments to reflect the known and anticipated changes for 2020/21. There are three main areas of the budget:

- The income we receive, which is a result of the rents and fees and charges we receive.
- The costs associated with running our day to day landlord business, such as management and repairs costs.
- Longer-term costs associated with our business, such as financing costs or contributions made toward the capital programme.

4.11 The proposed 2020/21 budget is set out in Appendix 4a, and budgets for a net surplus of £2.8m.

#### **4.12 Rents**

4.13 The Ministry for Housing, Communities and Local Government (the Ministry) sets how much we can change our rents by each year. For the past four years we have been directed to cut rents by 1% per year, which has seen our rental income reduce by £500k between 2015/16 and 2019/20. For 2020-21, the Ministry is allowing rents to be increase by 1% more than inflation, which means an increase of 2.7% for next year.

4.14 In this year's budget we are increasing our rents by this full amount. This will help the Council to recover some of the lost income as a result of four years of 1% cuts to rents. Average rent on our social rent properties will increase by 2.16 per week to £82.36. For affordable rent properties, we will cap the rent at local housing allowance rates, which means rents will increase on average by £2.74 to £109.37 per week.

4.15 This will increase the rent we receive by £297k in 2020-21, making the total rental income to £17.3m.

#### **4.16 Fees and Charges**

4.17 In addition to our rents we set a number of fees and charges for additional services we provide tenants. This can range from service charges for items such as communal heating, communal lighting, maintenance of communal areas and the older persons service charge, to additional services such as garage rental. In September 2019 Cabinet approved a new corporate charging policy, which states that we should look to make a profit for the fees and charges where we are able to do so.

4.18 Appendix 4c and 4d sets out the planned changes to housing fees and charges this year, as a result of the charging policy and changes to our expected costs. The largest changes are:

- Reducing electricity and gas charges by 10%, as a result of falling expenditure in these areas.
- Increasing rents for shops by 14%, as in previous years to reflect the fact they have been significantly under market rates for a number of years.
- Increasing the service charges for servicing fire extinguisher servicing by 18.3%, as our costs are significantly above what we have been charging. Whilst the percentage increase is large, the actual income increase is small – rising from £718 to £850 across all our properties.

4.19 Our fees and charges will fall by an average of 0.96% in 2020/21, reducing our expected income by £8k. This includes our service charges, which are one particular type of fee and charge, and are designed to recover costs rather than generate a profit. They are due to go up by an average of 0.44%, resulting in £2.5k additional income. We expect to receive £646k from our fees and charges in 2020-21.

#### **4.20 Planned Expenditure**

4.21 Appendix 4b sets out the main changes to the planned expenditure for 2020/21. These changes include:

- a) Savings – a total of £125k of savings have been proposed. These largely come from reduced gas, electric and council tax costs expected in the year.
- b) Cost pressure – a total of £141k of additional costs to manage our day to day business. This includes an additional staff member to support the delivery of the Home Improvement programme, additional budget to increase the asbestos surveys across our stock and an inflationary increase to our responsive repairs budgets. This includes £8k for additional member allowances.
- c) Service development – We intend to recruit two additional staff members, one to support to management of the new Housing IT system and one to meet the increasing compliance requirements, and to increase contact with support customers. The first post will be funded from contractual savings from developing. We will also commission a value for money review on the delivery of the Home Improvement Programme, and make an additional voluntary pension payment.
- d) Increase in income – we have budgeted for our in-house repairs team to generate a surplus from their activities of £286,000.
- e) Journey to Self – Sufficiency Programme – The target for reducing our costs, or increasing our income is £225k in 2020/21.

4.22 We will also make a £934k revenue contribution to capital outlay (RCCO) in 2020/21. This will part fund the HRA Capital Programme, which is set out from paragraph 5.35.

#### **4.23 Use of Surpluses**

4.24 Prior to 2019/20, our approach to surpluses was to automatically save them to the loan redemption reserve, so we could repay debt when it fell due. In 2019/20, Council approved a more flexible approach to using our surpluses once we had retained sufficient cash to repay the loans that fall due in 2022.

4.25 As we now have the £13 million required to repay the 2022 loans. We will continue to place the surpluses into the loan redemption reserve as a default option, but retain the flexibility afforded by Council in last year's budget to dip into the redemption reserve should it be required.

### **5.0 CAPITAL PROGRAMMES – GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) PROGRAMMES 2020/21 TO 2024/25**

5.1 The proposed General Fund and HRA Capital Programmes for 2020/21 to 2024/25 were considered by Cabinet on 4 February 2020 and are recommended to Council for approval. See recommendations 18 to 20, are set out at the front of this report.

5.2 In line with the Prudential Code 2017, there is a requirement for members to approve a Capital Strategy alongside the Capital Programme for the forthcoming year. The Strategy sets out the Council's priorities and approach to capital investment and 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. The Capital Strategy can be found in Appendix 5a.

### 5.3 General Fund Capital Programme– Estimated Outturn 2019/20

5.4 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.

5.5 This managed decrease is caused by the following:

	£	£
<b>Original Budget 2019/20</b>		<b>12,708,590</b>
<b>Approved Schemes carried forward from 2018/19 and 2019/20 approved virements</b>		
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)	
<b>Total (increase to 2019/20 budget)</b>		<b>2,543,771</b>
<b>Less in year underspends</b>		
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)	
<b>Total (reduction to 2019/20 budget)</b>		<b>(129,294)</b>
<b>Less Planned Slippage in 2019/20 carried forward to 2020/21</b>		
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.	(7,296,912)	
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		
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)	
<b>Total (decrease to 2019/20 budget)</b>		<b>(10,202,840)</b>
<b>Indicative Outturn 2019/2020</b>		<b>4,920,227</b>

5.6 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
<b>Total</b>	<b>4,920,227</b>

5.7 The 'Schemes Carried Forward' shown in paragraph 5.5 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.

#### 5.8 Housing Revenue Account (HRA) Capital Programme – Estimated Outturn 2019/20

5.9 The projected outturn for the Housing Revenue Account is £7.8m against a budget of £13.1m, a decrease of £5.3m.

5.10 This managed decrease is caused by the following:

	£	£
<b>Original Budget 2019/20</b>		<b>13,109,559</b>
<b>Less forecast slippage in 2019/20 carried forward to 2020/21</b>		
New Supply 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.	(1,551,000)	
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)	
		<b>(2,577,296)</b>
<b>Forecast over or (under) spends in 2019/20 that will not be carried forward</b>		
New Supply The new supply programme has been rebased in the 2020/21	(1,977,909)	

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	
		<b>(2,712,863)</b>
<b>Total (decrease to 2019/20 budget)</b>		<b>(5,290,159)</b>
<b>Indicative HRA Capital Outturn 2019/2020</b>		<b>7,819,400</b>

- 5.11 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
<b>Total Resources used in 2020/21</b>	<b>7,819,400</b>
Retained for future years	7,785,060

## 5.12 GENERAL FUND CAPITAL PROGRAMME 2020/21 TO 2024/25

- 5.13 The General Fund capital programme for 2020/21 to 2024/25 is detailed in Appendix 5b. This programme provides for a continuation of the current Disabled Facilities Grants Scheme and the Vehicle Replacement Programme.
- 5.14 Schemes shown as slippage from 2019/20 and carried forward to 2020/21 are detailed in the table in paragraph 5.5 above.
- 5.15 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.
- 5.16 New Schemes for consideration for 2020/21 and future years  
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:

<b>New Schemes identified for Property Services 2020/2021</b>	<b>£</b>
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
<b>Total 2020/21</b>	<b>307,000</b>
<b>New Schemes identified for Property Services (future years)</b>	
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
<b>Total (future years)</b>	<b>3,790,000</b>

<b>New Schemes for IT 2020/21</b>	<b>£</b>
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
<b>Total 2020/21</b>	<b>115,000</b>
<b>Further New IT Schemes (future years)</b>	
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
<b>Total (future years)</b>	<b>185,000</b>

<b>Other Schemes 2020/21</b>	<b>£</b>
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

<b>Total 2020/21</b>	<b>975,000</b>
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5.17 Fleet Replacement Programme

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.

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

<b>Vehicles / Plant &amp; Equipment</b>	<b>Original Budget £</b>	<b>Revised Budget £</b>
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
<b>TOTAL</b>	<b>1,150,000</b>	<b>1,070,000</b>

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

<b>Vehicles / Plant &amp; Equipment</b>	<b>Budget £</b>
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
<b>Total</b>	<b>865,000</b>

5.20 Disabled Facilities Grants

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.

## 5.21 General Fund Capital Programme (2020/21) Funding

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
<b>Total (including carry forward from 19/20)</b>	<b>12,920,310</b>

## 5.22 SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

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

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

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

5.26 The HRA Capital programme (Appendix 5c) 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.

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

### a) 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.

### b) 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 rooves 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.

### c) 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.

d) 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 as other estate improvement works, totalling £520k. This includes £250k for off street car parking.

## 5.28 CAPITAL RESOURCING

### General Fund

5.29 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
<b>Total</b>	<b>27,481,550</b>

- 5.30 Details of the planned funding of the programmes are included in Appendix 5b.
- 5.31 Funding is in place in 2020/21 for the Disabled Facilities Grants Scheme £670k.
- 5.32 There will be a Revenue Contribution to Capital to fund the electric off street charging points of £115k.
- 5.33 A capital receipt of £3m has been identified for the Leisure Centre Project.
- 5.34 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

5.35 Appendix 5c 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
<b>Total Resources used in 2020/21</b>	<b>10,163,858</b>

Retained for future years	6,763,994
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5.36 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.

## 6.0 SETTING THE COUNCIL TAX

6.1 The wordings of the recommendations for setting the Council Tax are prescribed and are explained below.

### 6.2 Recommendations 22(1) and 22(2)

The amount in these recommendations are the Council Tax Base for the 2020/21 year (Recommendation 22(1)) and the Council Tax Base for 2020/21 for those areas where Parish Precepts and/or Special Expenses apply (Recommendations (22(2)) both as shown in Table A Appendix 6.

### 6.3 Recommendation 23(1)

The amount at Recommendation 23(1) is the Council's estimated gross expenditure for 2020/21 including the Special Expenses plus the Parish Precepts as notified to the District Council under the Local Government Act 1972 together with any increase in reserves. It is calculated as follows:

	£
District Gross Expenditure	56,910,956
Parish Precepts	2,245,085
Surplus of Income over Expenditure	630,368
<b>Total</b>	<b>59,786,409</b>

### 6.4 Recommendation 23(2)

This is the District Council's estimated gross income for 2020/21 from fees, charges, rents, specific and general Government Grants, reserves and the transfer from the Collection Fund and has been calculated as follows:

	£
Fees and charges, rents, specific Government Grants	41,183,672
Formula Grant	0
National Non Domestic Business Rates	6,881,605
New Homes Bonus	3,410,707
Transfer from Collection Fund	66,086
<b>Total</b>	<b>51,542,070</b>

### 6.5 Recommendation 23(3)

This is the Council's Council Tax Requirement and is the difference between gross expenditure at 23(1) above gross income at 23(2) above. It is calculated as:

	£
Gross Expenditure	59,786,409
Less Gross Income	51,542,070
<b>Total</b>	<b>8,244,339</b>

### 6.6 Recommendation 23(4)

This figure represents the basic amount of Council Tax and is calculated by applying the formula in Section 31B of the Local Government Finance Act 1992:

Where:

R is the Council's Council Tax Requirement, i.e. as Recommendation 21(3) above  
T is the Council Tax Base

Therefore: £8,244,339 (R) /  
34,585 (T)  
= £238.38

**6.7 Recommendation 23(5)**

This is the total of all Special Expenses and the precepts of local precepting authorities i.e. Parish Councils as follows:

	£
Special Expenses	514,764
Parish Precepts	2,245,085
<b>Total</b>	<b>2,759,849</b>

**6.8 Recommendation 23(6)**

This figure is arrived at by deducting from the amount of basic Council Tax at Recommendation 21(4) the sum of the Special Expenses plus parish precepts (recommendation 21(5) divided by the District Council Tax base):

$$\begin{aligned} & \text{£}238.28 - \frac{\text{£}2,759,849}{34,585} \\ & = \text{£}158.58 \end{aligned}$$

**This represents the basic amount of Council Tax (at Band D level) for those parts of the District's area where there are no parish precepts or Special Expenses. The parish precepts and/or Special Expenses, where applicable, are in addition to this.**

**6.9 Recommendation 23(7)**

The amounts referred to here are the additional basic levels of Council Tax to meet the parish precepts and/or Special Expenses set out in Recommendation 23(5). They are calculated by dividing the parish precept and/or Special Expenses by the Council Tax base for that part of the Council's area, and adding the result to the Council Tax amount calculated in Recommendation 23(6) above.

**6.10 Recommendation 23(8)**

These amounts are calculated by applying, either to the basic amounts of Council Tax at Recommendation 21(6) (no parish precept and/or Special Expenses), or to the basic amounts of Council Tax at Recommendation 23(7) (where there are parish precepts and/or Special Expenses), the proportion listed in Section 5(1) of the Local Government Act 1992 as they relate to the proportion allocated to Band D as follows:

Valuation Band	Proportion of Basic Council Tax
A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

**6.11 Recommendation 24**

In issuing their precepts for the financial year 2020/21 Leicestershire County Council, Leicester Police and Crime Commissioner and the Combined Fire Authority have informed the billing authority (i.e. North West Leicestershire District Council) of the total amount payable and also the amount of Council Tax for each valuation band. There will be an update at the District Council meeting should the County Council's information change.

6.12 **Recommendation 25**

This amount is calculated by adding together the amounts in recommendation 21(8) and the amounts in Recommendation 22. This gives the total amount of Council Tax payable for each valuation band in each part of the Council's area. These amounts will, in some cases, be reduced by discounts including Council Tax Support which replaced Council Tax Benefits from 1 April 2013.

6.13 **Recommendation 26**

The Localism Act 2011 has amended the Local Government Finance Act 1992 in such a way as to require the Council to determine whether the Council's relevant basic amount of Council Tax each year is "excessive". A referendum is now triggered in those authorities where an increase is so determined. The question of whether an authority's relevant basic amount of Council Tax is excessive or not must be decided in accordance with a set of principles determined for the year by the Secretary of State.

The Secretary of State has now indicated that the Authority's basic amount of Council Tax for 2020/21 would be considered excessive if it is the higher of either 2% greater than its relevant basic amount of Council Tax for 2019/20 or £5.

As no increase in Council Tax is being recommended for the district share of the council tax and the Special Expenses element that only affect a proportion of the district are all less than £5 there is no question of the basic amount of Council Tax for 2020/21 being determined as excessive. Table F, Appendix 6 shows the percentage increases.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The General Fund, HRA and Capital budgets help the Council to achieve all its priorities.
Policy Considerations:	The HRA 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> <p>No material impacts have been identified on the General Fund budgets.</p>
Customer Impact:	<p>The majority of our tenants will be impacted by the increase in rents set out within this report.</p> <p>Residents and businesses will be affected by the General Fund's Fees and Charges, set out in Appendix 3b.</p>
Economic and Social Impact:	No issues.
Environment and Climate Change:	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:	<ul style="list-style-type: none"> <li>• Corporate Leadership Team (CLT).</li> <li>• Housing and Property Services Portfolio Holder</li> <li>• Corporate Scrutiny Committee</li> <li>• Parish Council's</li> <li>• Trade Unions</li> <li>• Federation of Small Businesses</li> <li>• Public consultation between 13 January and 3 February.</li> <li>• Tenants, via the Performance and Finance Working Group and the Tenants and Leaseholders Forum.</li> </ul>
Risks:	The budgets will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Officer Contact	<p>Tracy Bingham, Head of Finance and Section 151 Officer</p> <p>01530 454 707</p> <p><a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a></p>

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## Budget Consultation Responses – General Fund

### 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.

### Enhanced Public Consultation – Summary of Responses

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
<b>On the NWLDC Council Tax Freeze</b>	<b>79 (55%)</b>	26 (18%)	39 (27%)	<ul style="list-style-type: none"> <li>• 49 residents left detailed comments on the council tax freeze.</li> <li>• Nine suggested they would be happy with an increase in council tax. One thought it should be reduced.</li> <li>• Six commented that they were happy with the freeze as long as services were not being cut.</li> </ul>
<b>On increasing the Special Expenses Council Tax</b>	<b>35 (39%)</b>	23 (25%)	32 (36%)	<ul style="list-style-type: none"> <li>• This question only applied to the 90 respondents that live in a special expenses area, 42 left comments.</li> <li>• Those that were supportive were 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.</li> <li>• Those that were unsupportive commented on the fairness of different council taxes in different areas and suggested that these areas were not being maintained.</li> </ul>
<b>Changes to Fees and Charges</b>	49 (34%)	<b>71 (49%)</b>	24 (17%)	<ul style="list-style-type: none"> <li>• 33 respondents left comments.</li> <li>• 8 commented that fees for removing waste encourages fly tipping. 1 was supportive of this fee if it was invested in recycling facilities.</li> <li>• 3 commented that the fees for Newmarket were too high.</li> <li>• 2 felt a 5% increase in burial fees was too much.</li> <li>• 3 respondents agreed with our</li> </ul>

				charging policy – to recover costs and generate a profit where possible – whilst another 3 disagreed with this approach.
<b>Changes to day to day services</b>	<b>56 (39%)</b>	54 (37%)	34 (24%)	<ul style="list-style-type: none"> <li>• 58 Residents provided comments.</li> <li>• 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.</li> <li>• 10 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. 5 were positive, with suggestions that we should start with solar panels on the council building.</li> <li>• 9 commented on our plans to provide free trees and increase funding for maintaining trees. 6 were negative, citing the high cost whilst 4 were positive.</li> </ul>
<b>Capital Expenditure plans</b>	<b>52 (36%)</b>	41 (29%)	51 (35%)	<ul style="list-style-type: none"> <li>• 55 residents left detailed comments on our capital expenditure plans.</li> <li>• 17 left negative comments on the investment in Appleby Magna Caravan.</li> <li>• There were 11 negative comments relating to the new leisure centre and one positive one.</li> <li>• The plans to demolish the existing market hall generated 25 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.</li> <li>• 4 commented on the lack of investment in northern parishes, such as Castle Donington and Kegworth.</li> </ul>

## Budget Consultation Responses – Housing Revenue Account

## Enhanced Public Consultation – Summary of Responses

	Supportive or very supportive	Neutral or did not answer	Unsupportive or very unsupportive	Themes from comments
<b>On the proposed rent increase of up to 2.7%</b>	<b>28 (72%)</b> amongst all respondents <b>3 (43%)</b> amongst our residents	4 (10%) amongst all respondents 2 (29%) amongst our residents	7 (18%) amongst all respondents 2 (29%) amongst our residents	<ul style="list-style-type: none"> <li>• There was recognition that our rents are lower than private rents.</li> <li>• There were requests to ensure that the increases benefited tenants.</li> </ul>
<b>On planned changes to service charges</b>	<b>24 (62%)</b> amongst all respondents <b>3 (43%)</b> amongst our residents	11 (28%) amongst all respondents 1 (14%) amongst our residents	4 (10%) amongst all respondents <b>3 (43%)</b> amongst our residents	<ul style="list-style-type: none"> <li>• One individual did not support the rise in the older person charge.</li> <li>• Another was very unsupportive of the increase in grounds maintenance over concerns around the level of service they are receiving.</li> </ul>
<b>On planned changes to other fees and charges</b>	<b>18 (46%)</b> amongst all respondents 2 (29%) amongst our residents	12 (31%) amongst all respondents <b>3 (43%)</b> amongst our residents	9 (23%) amongst all respondents 2 (29%) amongst our residents	<ul style="list-style-type: none"> <li>• 4 comments suggested we should be decreasing shop leases, not increasing them.</li> <li>• One commented that the lifeline costs should not be increased given the effect it would have on the elderly.</li> </ul>
<b>On changes to our planned day to day spend</b>	<b>22 (56%)</b> amongst all respondents <b>3 (43%)</b> amongst our residents	8 (21%) amongst all respondents <b>3 (43%)</b> amongst our residents	9 (23%) amongst all respondents 1 (14%) amongst our residents	<ul style="list-style-type: none"> <li>• 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.</li> <li>• One tenant questioned whether it is necessary to have a support officer to work with tenants who have opted not to receive the support.</li> </ul>
<b>On our plans to build and purchase new homes</b>	<b>24 (62%)</b> amongst all respondents <b>5 (71%)</b> amongst our residents	2 (5%) amongst all respondents 1 (14%) amongst our residents	13 (33%) amongst all respondents 1 (14%) amongst our residents	<ul style="list-style-type: none"> <li>• Those supportive commented that the new properties should be of a good size and in the correct area.</li> <li>• Those unsupportive raised concerns with the amount of development in NWL and the infrastructures ability to cope with additional houses.</li> <li>• There was also some concern over the cost of building new homes.</li> </ul>

<p><b>On our plans to improve our existing homes</b></p>	<p><b>29 (74%)</b> amongst all respondents</p> <p><b>6 (86%)</b> amongst our residents</p>	<p>4 (10%) amongst all respondents</p> <p>1 (14%) amongst our residents</p>	<p>6 (16%) amongst all respondents</p> <p>0 (0%) amongst our residents</p>	<ul style="list-style-type: none"> <li>• Comments from those supportive of the plans suggested particular things we should look replacing, such as old double glazing.</li> <li>• Comments from those unsupportive include suggesting that tenants should pay for this in addition to their rents</li> </ul>
<p><b>On our plans for a pilot to regenerate one of our estates</b></p>	<p><b>16 (41%)</b> amongst all respondents</p> <p>2 (29%) amongst our residents</p>	<p>11 (28%) amongst all respondents</p> <p><b>3 (43%)</b> amongst our residents</p>	<p>12 (31%) amongst all respondents</p> <p>2 (29%) amongst our residents</p>	<ul style="list-style-type: none"> <li>• Suggestions from supportive respondents include landscaping, removing alleyways and derelict buildings, planting trees and installing off street parking.</li> <li>• Comments from those unsupportive question the cost of the pilot, the need to tackle anti-social behaviour and for community buy-in and ownership.</li> </ul>
<p><b>Other HRA Capital programme works</b></p>	<p><b>21 (54%)</b> amongst all respondents</p> <p><b>4 (57%)</b> amongst our residents</p>	<p>16 (41%) amongst all respondents</p> <p>3 (43%) amongst our residents</p>	<p>2 (5%) amongst all respondents</p> <p>0 (0%) amongst our residents</p>	<ul style="list-style-type: none"> <li>• One respondent questioned how off street parking will be enforced.</li> </ul>



<b>Title of Report</b>	<b>2020 – 2025 MEDIUM TERM FINANCIAL PLANS</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#">Medium Term Financial Strategy</a> – Council 26 February 2019	<b>Public Report:</b> Yes
	<a href="#">Review of Medium Term Financial Plan</a> – 16 July 2019  <a href="#">Draft Corporate Scrutiny Minutes</a> – 8 January 2020	<b>Key Decision:</b> No
<b>Financial Implications</b>	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.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	As detailed in the report	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	As detailed in the report	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	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.	
<b>Reason for Decision</b>	To keep members up to date in respect of the council’s five-year financial projections.	

<b>Recommendations</b>	<p><b>THAT CABINET:</b></p> <p><b>1. APPROVES THE REVISED MEDIUM TERM FINANCIAL PLANS; AND</b></p> <p><b>2. NOTES THE PROGRESS OF THE JOURNEY TO SELF SUFFICIENCY PROGRAMME.</b></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
<b>Total</b>	<b>570</b>	<b>4,530</b>	<b>5,100</b>	<b>225</b>	<b>2,425</b>	<b>2,650</b>

- 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**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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**

<b>Increase Basis</b>	<b>Impact to Residents 2020/21 - 2024/25 £</b>	<b>Impact to Council 2020/21 - 2024/25 £'m</b>
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**

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>TOTAL £'000</b>
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
<b>Surplus/(Deficit)</b>	<b>664</b>	<b>67</b>	<b>-695</b>	<b>-683</b>	<b>-321</b>	<b>-968</b>

**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**

<b>HRA</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>TOTAL £'000</b>
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
<b>Surplus</b>	<b>1,418</b>	<b>2,146</b>	<b>3,303</b>	<b>3,393</b>	<b>4,029</b>	<b>14,289</b>

- 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.

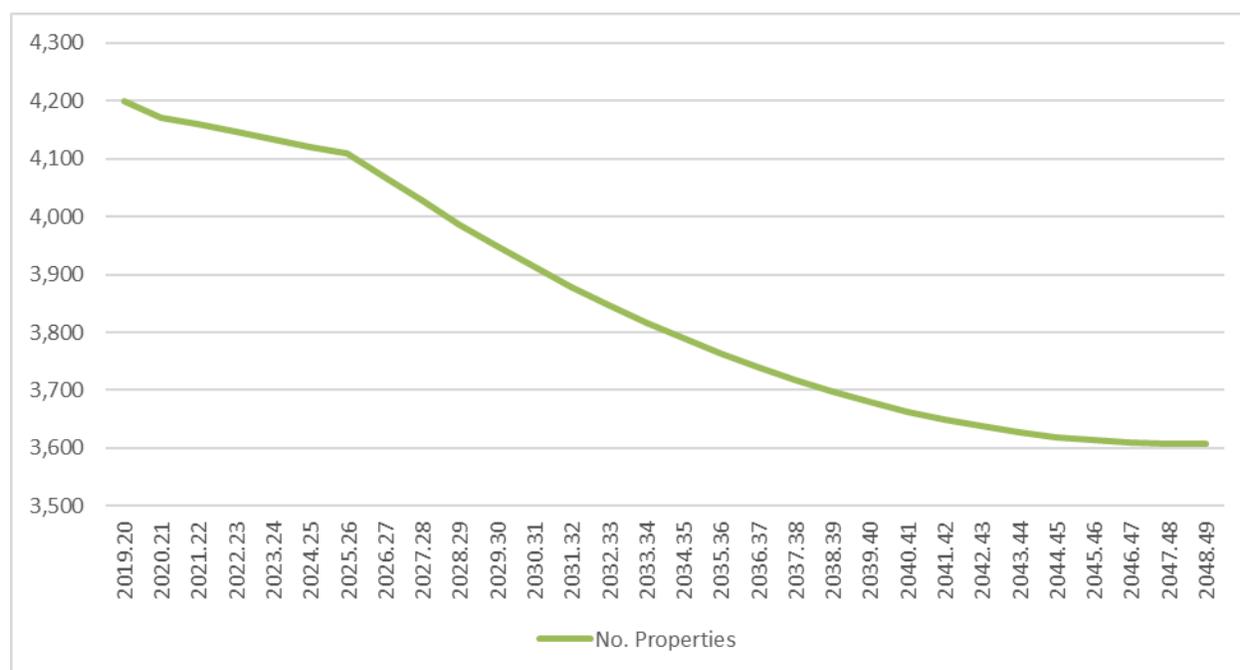
### **Review of Assumptions**

- 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**

<b>HRA</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>TOTAL £'000</b>
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
<b>Surplus</b>	<b>2,563</b>	<b>-241</b>	<b>-666</b>	<b>-90</b>	<b>414</b>	<b>1,980</b>

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

**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.

<b>Policies and other considerations, as appropriate</b>	
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 <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a>

**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				
<b>Total Budget before Savings/Surplus</b>	<b>14,772</b>	<b>13,683</b>	<b>14,757</b>	<b>15,045</b>	<b>15,358</b>
Transfer to reserves (Savings Required)/Surplus to Self-Sufficiency Reserve	325	365	(1,258)	(2,103)	(2,985)
<b>Total Final Expenditure Budget</b>	<b>15,096</b>	<b>14,048</b>	<b>13,499</b>	<b>12,942</b>	<b>12,374</b>
<b>Funding</b>					
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
<b>Total Funding</b>	<b>15,096</b>	<b>14,048</b>	<b>13,499</b>	<b>12,942</b>	<b>12,374</b>

**GENERAL FUND REVENUE PROJECTIONS KEY ASSUMPTIONS**

		<b>Assumptions of Medium Term Financial Plan – January 2019</b>	<b>Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019</b>	<b>Assumptions of Medium Term Financial Plan – February 2020</b>
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

		<b>Assumptions of Medium Term Financial Plan – January 2019</b>	<b>Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019</b>	<b>Assumptions of Medium Term Financial Plan – February 2020</b>
		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"> <li>• 2019/20: £529k</li> <li>• 2020/21: £280k</li> <li>• 2021/22: £208k</li> </ul> Management fee receivable: <ul style="list-style-type: none"> <li>• 2022/23: -£59k</li> <li>• 2023/34: -£321k</li> </ul>	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"> <li>• 2019/20: nil</li> <li>• 2020/21: -£210k</li> <li>• 2021/22: -£270k</li> <li>• 2022/23: -£320k</li> </ul>	No change, subject to the outcome of the Fair Funding review.	Elimination of the RSG for 2020/21.

		<b>Assumptions of Medium Term Financial Plan – January 2019</b>	<b>Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019</b>	<b>Assumptions of Medium Term Financial Plan – February 2020</b>
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.

		<b>Assumptions of Medium Term Financial Plan – January 2019</b>	<b>Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019</b>	<b>Assumptions of Medium Term Financial Plan – February 2020</b>
		<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

		<b>Assumptions of Medium Term Financial Plan – January 2019</b>	<b>Revised Assumptions and additional information of the Medium Term Financial Plan – June 2019</b>	<b>Assumptions of Medium Term Financial Plan – February 2020</b>
			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)
<b>Total Budget before Savings/Surplus</b>	<b>15,179</b>	<b>14,615</b>	<b>14,640</b>	<b>14,646</b>	<b>15,206</b>
Transfer to reserves: (Savings Required)/Surplus to Self-Sufficiency Reserve	664	67	(695)	(683)	(321)
<b>Total Final Expenditure Budget</b>	<b>15,843</b>	<b>14,682</b>	<b>13,945</b>	<b>13,963</b>	<b>14,885</b>
<b>Funding</b>					
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
<b>Total Funding</b>	<b>15,843</b>	<b>14,682</b>	<b>13,945</b>	<b>13,963</b>	<b>14,885</b>

\* 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
<b>HRA 30 YEAR SUMMARY</b>					
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
<b>Total income</b>	<b>17,648,860</b>	<b>18,025,749</b>	<b>18,413,589</b>	<b>18,775,292</b>	<b>19,194,172</b>
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
<b>Total costs</b>	<b>11,308,130</b>	<b>11,546,836</b>	<b>11,761,418</b>	<b>11,982,241</b>	<b>12,211,503</b>
<b>Net income from services</b>	<b>6,340,730</b>	<b>6,478,913</b>	<b>6,652,171</b>	<b>6,793,051</b>	<b>6,982,668</b>
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
<b>Net income/expenditure before appropriations</b>	<b>4,195,300</b>	<b>4,368,522</b>	<b>4,586,261</b>	<b>5,012,604</b>	<b>5,263,435</b>
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
<b>Net HRA Surplus/Deficit</b>	<b>1,417,840</b>	<b>2,145,505</b>	<b>3,302,275</b>	<b>3,393,412</b>	<b>4,029,742</b>

**HOUSING REVENUE ACCOUNT PROJECTIONS**  
**KEY ASSUMPTIONS**

	<b>MTFS 2019 – 2024 Original Assumptions (February 2019)</b>	<b>MTFS 2019 – 2024 Revised Assumptions (June 2019)</b>	<b>MTFS 2020 – 2025 Assumptions (February 2020)</b>
Income (Rents)	<ol style="list-style-type: none"> <li>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%.</li> <li>2. Rent loss performance on empty homes sustained at 0.8% for the life of the plan</li> <li>3. Right to Buy sales projected to be 36 in 2019/20, 34 in 2020/21 and falling to 30 per annum thereafter.</li> <li>4. 37 new homes added to the housing stock during 2019/20 at affordable rent levels and 20 in 20/21</li> </ol>	<ol style="list-style-type: none"> <li>1. No change</li> <li>2. No change</li> <li>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.</li> <li>4. 26 new affordable properties added to stock levels in 2019/20 with 20 properties added in 2021/22.</li> </ol>	<ol style="list-style-type: none"> <li>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%.</li> <li>2. No change</li> <li>3. No change</li> <li>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.</li> </ol>
Base budget	<ol style="list-style-type: none"> <li>5. Inflationary increase of 3.5% per annum.</li> </ol>	<ol style="list-style-type: none"> <li>5. . Inflation increased revised down to 2.5% to bring to closer to Bank of England target rates.</li> </ol>	<ol style="list-style-type: none"> <li>5. No change</li> </ol>

	<b>MTFS 2019 – 2024 Original Assumptions (February 2019)</b>	<b>MTFS 2019 – 2024 Revised Assumptions (June 2019)</b>	<b>MTFS 2020 – 2025 Assumptions (February 2020)</b>
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
<b>HRA 30 YEAR SUMMARY</b>					
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
<b>Total income</b>	<b>18,237,670</b>	<b>18,766,245</b>	<b>19,345,924</b>	<b>19,952,693</b>	<b>20,474,374</b>
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
<b>Total costs</b>	<b>11,468,630</b>	<b>11,643,177</b>	<b>11,847,330</b>	<b>12,049,939</b>	<b>12,311,052</b>
<b>Net income from services</b>	<b>6,769,040</b>	<b>7,123,068</b>	<b>7,498,595</b>	<b>7,902,754</b>	<b>8,163,323</b>
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
<b>Net income/ expenditure before appropriations</b>	<b>4,650,446</b>	<b>5,046,897</b>	<b>5,673,652</b>	<b>6,104,523</b>	<b>6,396,333</b>
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
<b>Net HRA Surplus/Deficit</b>	<b>2,787,770</b>	<b>83,914</b>	<b>-91,074</b>	<b>535,236</b>	<b>1,314,438</b>
<b>HRA Balance brought forward</b>	<b>3,047,638</b>	<b>5,835,408</b>	<b>5,919,322</b>	<b>5,828,248</b>	<b>6,363,484</b>
HRA surplus/deficit	2,787,770	83,914	-91,074	535,236	1,314,438
<b>HRA Balance carried forward</b>	<b>5,835,408</b>	<b>5,919,322</b>	<b>5,828,248</b>	<b>6,363,484</b>	<b>7,677,922</b>

**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**

	<b>Most Likely Position</b>	<b>Savings targets not achieved</b>	<b>Alternative Model - Business Rates Baseline Reset</b>	<b>Economic Downturn</b>	<b>New Homes Bonus Scheme Continues</b>	<b>New Homes Bonus Scheme Abolished</b>
	<b>Base MTFP £'000</b>	<b>Scenario 1 £'000</b>	<b>Scenario 2 £'000</b>	<b>Scenario 3 £'000</b>	<b>Scenario 4 £'000</b>	<b>Scenario 5 £'000</b>
<b>What the Scenario is modelling?</b>	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.
<b>NHB</b>	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
<b>Business Rates</b>	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
<b>Council Tax</b>	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
<b>Journey to Self-Sufficiency Savings</b>	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
<b>Transition</b>	Transitional funding in place when total resources falls below -5% (assessed as if Council Tax had increased historically year on year)					
<b>Expenditure</b>	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
<b>Surplus / - Deficit Position £'000</b>	-£968	-£6,068	-£10,315	-£12,427	£40,855	-£1,445

**Table G2 - In Year Surplus/ (Deficit)**

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

## 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
<b>Total</b>	<b>-£1,980,895</b>	

## 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
Members Allowances – changes to the allowances scheme	£34,020	Ongoing
<b>Total</b>	<b>£864,810</b>	

## 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
<b>Total</b>	<b>£1,451,885</b>	

## 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	
<b>Total Staffing Increases</b>		<b>£663,060</b>
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
<b>TOTAL</b>	<b>-£957,158</b>		

COMPARISON OF 2019/20 AND 2020/21 GENERAL FUND 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

Chargeable Service	2019/20		2020/21				Basis for Change	Charging Policy
	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	1,411,880	1,417,820	1,456,010	1,486,150	1,518,730
<b>2,284,370</b>	<b>2,157,710</b>	<b>Total Chief Executive's Department</b>	<b>2,423,240</b>	<b>2,336,940</b>	<b>2,396,570</b>	<b>2,448,150</b>	<b>2,502,690</b>
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
<b>8,082,620</b>	<b>8,240,570</b>	<b>Total Director of Services</b>	<b>7,992,800</b>	<b>8,128,530</b>	<b>7,867,580</b>	<b>7,763,150</b>	<b>7,978,550</b>
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
<b>4,088,710</b>	<b>4,158,880</b>	<b>Total Director of Housing &amp; Customer Services</b>	<b>4,596,310</b>	<b>4,442,670</b>	<b>4,563,930</b>	<b>4,707,520</b>	<b>4,847,650</b>
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				
<b>14,556,960</b>	<b>14,720,880</b>	<b>NET COST OF SERVICES</b>	<b>15,460,290</b>	<b>14,146,550</b>	<b>13,846,440</b>	<b>13,812,600</b>	<b>14,202,550</b>
(1,320,350)	(1,313,400)	Net Recharges from General Fund	(1,470,310)	(1,502,270)	(1,534,980)	(1,566,860)	(1,599,260)
<b>13,236,610</b>	<b>13,407,480</b>	<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>13,989,980</b>	<b>12,644,280</b>	<b>12,311,460</b>	<b>12,245,740</b>	<b>12,603,290</b>
		<b>CORPORATE ITEMS AND FINANCING</b>					
		<b>Corporate Income and Expenditure</b>					
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
<b>14,724,639</b>	<b>14,894,118</b>	<b>NET REVENUE EXPENDITURE</b>	<b>15,212,520</b>	<b>14,649,363</b>	<b>14,675,460</b>	<b>14,682,221</b>	<b>15,243,581</b>
161,090	353,410	Contribution to/(from) Balances/Reserves	630,368	32,410	(730,797)	(718,855)	(358,370)
<b>14,885,729</b>	<b>15,247,528</b>	<b>MET FROM GOVT GRANT &amp; COUNCIL TAX (Budget Requirement)</b>	<b>15,842,888</b>	<b>14,681,774</b>	<b>13,944,663</b>	<b>13,963,365</b>	<b>14,885,212</b>

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	<b>Financed By</b>					
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		
<b>14,885,729</b>	<b>15,247,528</b>	<b>TOTAL FUNDING AVAILABLE</b>	<b>15,842,888</b>	<b>14,681,774</b>	<b>13,944,663</b>	<b>13,963,365</b>	<b>14,885,212</b>

## 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
	£	£	£	£	£	£	£
<b>COALVILLE</b>							
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
	<b>372,220</b>	<b>392,054</b>	<b>449,510</b>	<b>426,360</b>	<b>471,970</b>	<b>475,150</b>	<b>431,000</b>
<b>WHITWICK</b>							
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
	<b>15,030</b>	<b>11,042</b>	<b>23,880</b>	<b>29,820</b>	<b>13,980</b>	<b>15,730</b>	<b>14,300</b>
<b>HUGGLESCOTE</b>							
Cemetery & Closed Churchyard	21,460	14,922	33,150	31,460	26,060	26,380	23,680
	<b>21,460</b>	<b>14,922</b>	<b>33,150</b>	<b>31,460</b>	<b>26,060</b>	<b>26,380</b>	<b>23,680</b>
<b>PLAY AREAS/CLOSED CHURCHYARDS</b>							
<b>GROUNDS MAINTENANCE:</b>							
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
<b>OTHER SPECIAL EXPENSES</b>	<b>15,380</b>	<b>15,368</b>	<b>38,020</b>	<b>36,350</b>	<b>32,890</b>	<b>38,020</b>	<b>23,760</b>
<b>SPECIAL EXPENSES (NET COST OF SERVICE)</b>	<b>424,090</b>	<b>433,386</b>	<b>544,560</b>	<b>523,990</b>	<b>544,900</b>	<b>555,280</b>	<b>492,740</b>
Service Management recharges/Admin Buildings	111,540	111,540	122,000	124,470	127,050	129,680	132,250
<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>535,630</b>	<b>544,926</b>	<b>666,560</b>	<b>648,460</b>	<b>671,950</b>	<b>684,960</b>	<b>624,990</b>
Contribution to/(from) Balances/Reserves	4,074	(5,222)	(35,402)	(27,457)	(28,827)	232	94,868
<b>MET FROM GOVT GRANT &amp; COUNCIL TAX (Budget Requirement)</b>	<b>539,704</b>	<b>539,704</b>	<b>631,158</b>	<b>621,003</b>	<b>643,123</b>	<b>685,192</b>	<b>719,858</b>
<b>FUNDED BY:</b>							
Precept	476,201	476,201	514,764	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
	<b>539,704</b>	<b>539,704</b>	<b>631,158</b>	<b>621,003</b>	<b>643,123</b>	<b>685,192</b>	<b>719,858</b>

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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	5,540,720
SUPERVISION & MANAGEMENT			
2. General	2,134,230	1,987,690	2,100,630
3. Special / Supporting People	559,550	552,080	593,570
4.	2,693,780	2,539,770	2,694,200
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
<b>12. TOTAL EXPENDITURE</b>	<b>11,301,070</b>	<b>10,918,770</b>	<b>11,191,340</b>
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
<b>18. TOTAL INCOME</b>	<b>17,648,860</b>	<b>17,601,200</b>	<b>17,952,150</b>
<b>19. NET COST/(SURPLUS) OF SERVICES</b>	<b>-6,347,790</b>	<b>-6,682,430</b>	<b>-6,760,810</b>
<b>20. J2SS Cost Savings/Income increases</b>	<b>0</b>	<b>0</b>	<b>-225,000</b>
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
<b>25. TOTAL DEBT FINANCING COSTS</b>	<b>3,280,680</b>	<b>3,257,620</b>	<b>3,272,270</b>
<b>26. NET OPERATING EXPENDITURE/(SURPLUS)</b>	<b>-3,067,110</b>	<b>-3,424,810</b>	<b>-3,713,540</b>
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
<b>29. NET (SURPLUS) / DEFICIT</b>	<b>-1,417,840</b>	<b>-1,775,540</b>	<b>-2,779,540</b>
<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	2,779,540
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	-17,827,179

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 4B

Reason for changing the budget	Proposal	One-off recurring	Council priority	Investment/ (Saving) Amount
<b>Cost Pressures</b>	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 in members allowances	Recurring	Value for money	£8,000
<b>Increase/ Decrease in Income</b>	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
<b>Service Development</b>	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
<b>Budget Saving</b>	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
	Journey to Self Sufficiency Saving	One-Off	Value for money	-£225,000



## COMPARISON OF 2019/20 AND 2020/21 HOUSING CHARGES

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
<b>Total Services</b>	<b>£838,368</b>		<b>£830,338</b>	<b>-\$8,030</b>	<b>-0.96%</b>			

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## Housing Service Charges

## APPENDIX 4D

COMPARISON OF 2019/20 AND 2020/21 SERVICE CHARGES					
Chargeable Service	2019/20	2020/21			Comments
		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
<b>Total Services</b>	<b>£559,393</b>	<b>£561,871</b>	<b>£2,478</b>	<b>0.44%</b>	

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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
<b>Total</b>	<b>3,351,550</b>	<b>0</b>	<b>21,015,000</b>	<b>0</b>	<b>1,373,000</b>	<b>27,481,550</b>

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
<b>Total</b>	<b>1,000,000</b>	<b>304,368</b>	<b>17,444,373</b>	<b>2,668,950</b>	<b>35,243,866</b>	<b>56,661,557</b>

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 rates. The 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
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
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						Grant & S106	DF Grants	Capital Receipts	Other Reserve	Revenue	Leasing or Borrowing
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	
					-	-											
<b>TOTAL GENERAL FUND</b>	<b>12,708,590</b>	<b>2,543,771</b>	<b>- 10,202,840</b>	<b>- 129,294</b>	<b>2,067,744</b>	<b>4,920,227</b>	<b>12,920,310</b>	<b>8,104,310</b>	<b>2,062,310</b>	<b>2,079,310</b>	<b>2,315,310</b>	<b>1,197,850</b>	<b>4,021,864</b>	<b>3,034,037</b>	<b>1,390,486</b>	<b>660,440</b>	<b>32,299,940</b>

	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			
<b>2019 - 2024 Home Improvement Programme:</b>																
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
<b>2019 - 2024 Home Improvement Programme Total</b>	<b>3,378,106</b>	<b>2,900,000</b>		<b>3,869,611</b>	<b>3,947,004</b>	<b>4,025,945</b>	<b>4,106,464</b>	<b>4,188,593</b>	<b>20,137,617</b>	<b>17,453,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,684,613</b>		<b>20,137,617</b>
<b>New Supply:</b>																
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				1,219,654	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
Phase 7 - TBC						4,661,860	64,450		4,726,310		1,417,893		369,814		2,938,603	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
Phase 9 - TBC								4,945,767	4,945,767		1,483,730		353,532		3,108,505	4,945,767
<b>New Supply Total</b>	<b>4,983,909</b>	<b>1,455,000</b>	<b>1,551,000</b>	<b>3,811,140</b>	<b>6,033,084</b>	<b>4,793,732</b>	<b>4,866,165</b>	<b>5,012,150</b>	<b>24,516,272</b>	<b>-</b>	<b>7,069,531</b>	<b>304,368</b>	<b>2,668,950</b>	<b>14,473,423</b>		<b>24,516,272</b>
<b>Estate Improvements:</b>																
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
<b>Estate Improvements Total</b>	<b>778,796</b>	<b>331,000</b>	<b>326,296</b>	<b>770,000</b>	<b>780,000</b>	<b>780,000</b>	<b>530,000</b>	<b>470,000</b>	<b>3,330,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,330,000</b>		<b>3,330,000</b>
<b>Compliance:</b>																
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
<b>Compliance Total</b>	<b>822,000</b>	<b>400,000</b>	<b>400,000</b>	<b>125,000</b>	<b>100,000</b>	<b>87,000</b>	<b>87,000</b>	<b>87,000</b>	<b>486,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>486,000</b>		<b>486,000</b>
<b>Major Aids &amp; Adaptations</b>	<b>295,000</b>	<b>295,000</b>	<b>-</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>		<b>1,500,000</b>
<b>Renewable/Replacement Energy Installations Programme</b>	<b>654,780</b>	<b>721,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Supported Housing Improvements:</b>																
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
<b>Supported Housing Improvements Total</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>	<b>200,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>1,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,700,000</b>		<b>1,700,000</b>
<b>Active Asset Management:</b>																
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Active Asset Management Total</b>	<b>820,400</b>	<b>509,000</b>	<b>-</b>	<b>450,000</b>	<b>350,000</b>	<b>398,000</b>	<b>350,000</b>	<b>350,000</b>	<b>1,898,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,898,000</b>		<b>1,898,000</b>
<b>Other Capital Spend:</b>																
New Housing Systems	597,458	725,000	-	24,217	-	-	-	-	24,217						24,217	24,217
PNC8 Software Upgrade - Central Control	45,400	45,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Capital Spend Total</b>	<b>642,858</b>	<b>770,400</b>	<b>-</b>	<b>24,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,217</b>		<b>24,217</b>
<b>Capital Salaries</b>	<b>433,710</b>	<b>438,000</b>	<b>-</b>	<b>613,890</b>	<b>613,890</b>	<b>613,890</b>	<b>613,890</b>	<b>613,890</b>	<b>3,069,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,069,450</b>		<b>3,069,450</b>
<b>Total Programme Costs</b>	<b>13,109,559</b>	<b>7,819,400</b>	<b>2,577,296</b>	<b>10,163,858</b>	<b>12,623,978</b>	<b>11,498,567</b>	<b>11,353,519</b>	<b>11,021,634</b>	<b>56,661,556</b>	<b>17,453,004</b>	<b>7,069,531</b>	<b>304,368</b>	<b>2,668,950</b>	<b>29,165,703</b>		<b>56,661,556</b>

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TABLE A

COUNCIL TAX BASE 2020/2021	
PARISH / SPECIAL EXPENSE AREA	COUNCIL TAX BASE
APPLEBY MAGNA	528
ASHBY DE LA ZOUCH	5,932
ASHBY WOULD'S	1,381
BARDON	10
BELTON	304
BREEDON-ON-THE-HILL	441
CASTLE DONINGTON	2,573
CHARLEY	76
CHILCOTE	57
COALVILLE	6,550
COLEORTON	573
ELLISTOWN & BATTLEFLAT	846
HEATHER	367
HUGGLESCOTE & DONINGTON LE HEATH	1,732
IBSTOCK	2,337
ISLEY WALTON-CUM-LANGLEY	32
KEGWORTH	1,275
LOCKINGTON CUM HEMINGTON	241
LONG WHATTON and DISEWORTH	798
MEASHAM	1,701
NORMANTON-LE-HEATH	63
OAKTHORPE, DONISTHORPE and ACRESFORD	878
OSGATHORPE	208
PACKINGTON	400
RAVENSTONE	1,020
SNARESTONE	135
STAUNTON HAROLD	64
STRETTON-EN-LE-FIELD	20
SWANNINGTON	467
SWEPSTONE	267
WHITWICK	2,719
WORTHINGTON	590
<b>TOTAL</b>	<b>34,585</b>

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TABLE B

## COUNCIL TAX 2020/2021 - DISTRICT EXPENSES AND SPECIAL ITEMS

## BAND 'D' EQUIVALENTS

PARISH	DISTRICT EXP'S	PARISH EXP'S	SPECIAL EXP'S	TOTAL BAND D PROPERTY
	£ p	£ p	£ p	£ p
APPLEBY MAGNA	158.58	35.54	4.74	198.86
ASHBY DE LA ZOUCH	158.58	81.74	-	240.32
ASHBY WOULD'S	158.58	84.01	-	242.59
BARDON	158.58	-	-	158.58
BELTON	158.58	93.75	-	252.33
BREEDON-ON-THE-HILL	158.58	58.96	-	217.54
CASTLE DONINGTON	158.58	142.38	-	300.96
CHARLEY	158.58	59.21	-	217.79
CHILCOTE	158.58	-	-	158.58
COALVILLE	158.58	-	67.72	226.30
COLEORTON	158.58	25.04	7.21	190.83
ELLISTOWN & BATTLEFLAT	158.58	79.24	-	237.82
HEATHER	158.58	35.94	-	194.52
HUGGLESCOTE & DONINGTON LE HEATH	158.58	68.13	18.45	245.16
IBSTOCK	158.58	85.09	-	243.67
ISLEY WALTON-CUM-LANGLEY	158.58	13.63	-	172.21
KEGWORTH	158.58	89.03	-	247.61
LOCKINGTON CUM HEMINGTON	158.58	60.17	9.42	228.17
LONG WHATTON and DISEWORTH	158.58	51.42	-	210.00
MEASHAM	158.58	68.85	1.40	228.83
NORMANTON-LE-HEATH	158.58	-	-	158.58
OAKTHORPE, DONISTHORPE and ACRESFORD	158.58	66.06	4.38	229.02
OSGATHORPE	158.58	23.72	1.78	184.08
PACKINGTON	158.58	56.27	-	214.85
RAVENSTONE	158.58	53.94	0.66	213.18
SNARESTONE	158.58	74.07	-	232.65
STAUNTON HAROLD	158.58	3.22	-	161.80
STRETTON-EN-LE-FIELD	158.58	-	61.76	220.34
SWANNINGTON	158.58	59.29	-	217.87
SWEPSTONE	158.58	85.01	-	243.59
WHITWICK	158.58	103.11	8.03	269.72
WORTHINGTON	158.58	34.98	-	193.56

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TABLE C

## COUNCIL TAX 2020/2021 (DISTRICT, PARISH AND SPECIAL ITEMS) BY AREA AND VALUATION BAND

PARISH / AREA	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
APPLEBY MAGNA	132.57	154.67	176.76	198.86	243.05	287.24	331.43	397.72
ASHBY DE LA ZOUCH	160.21	186.92	213.62	240.32	293.72	347.13	400.53	480.64
ASHBY WOULD'S	161.73	188.68	215.64	242.59	296.50	350.41	404.32	485.18
BARDON	105.72	123.34	140.96	158.58	193.82	229.06	264.30	317.16
BELTON	168.22	196.26	224.29	252.33	308.40	364.48	420.55	504.66
BREEDON-ON-THE-HILL	145.03	169.20	193.37	217.54	265.88	314.22	362.57	435.08
CASTLE DONINGTON	200.64	234.08	267.52	300.96	367.84	434.72	501.60	601.92
CHARLEY	145.19	169.39	193.59	217.79	266.19	314.59	362.98	435.58
CHILCOTE	105.72	123.34	140.96	158.58	193.82	229.06	264.30	317.16
COALVILLE	150.87	176.01	201.16	226.30	276.59	326.88	377.17	452.60
COLEORTON	127.22	148.42	169.63	190.83	233.24	275.64	318.05	381.66
ELLISTOWN & BATTLEFLAT	158.55	184.97	211.40	237.82	290.67	343.52	396.37	475.64
HEATHER	129.68	151.29	172.91	194.52	237.75	280.97	324.20	389.04
HUGGLESCOTE & DONINGTON LE HEATH	163.44	190.68	217.92	245.16	299.64	354.12	408.60	490.32
IBSTOCK	162.45	189.52	216.60	243.67	297.82	351.97	406.12	487.34
ISLEY WALTON-CUM-LANGLEY	114.81	133.94	153.08	172.21	210.48	248.75	287.02	344.42
KEGWORTH	165.07	192.59	220.10	247.61	302.63	357.66	412.68	495.22
LOCKINGTON CUM HEMINGTON	152.11	177.47	202.82	228.17	278.87	329.58	380.28	456.34
LONG WHATTON and DISEWORTH	140.00	163.33	186.67	210.00	256.67	303.33	350.00	420.00
MEASHAM	152.55	177.98	203.40	228.83	279.68	330.53	381.38	457.66
NORMANTON-LE-HEATH	105.72	123.34	140.96	158.58	193.82	229.06	264.30	317.16
OAKTHORPE, DONISTHORPE and ACRESFORD	152.68	178.13	203.57	229.02	279.91	330.81	381.70	458.04
OSGATHORPE	122.72	143.17	163.63	184.08	224.99	265.89	306.80	368.16
PACKINGTON	143.23	167.11	190.98	214.85	262.59	310.34	358.08	429.70
RAVENSTONE	142.12	165.81	189.49	213.18	260.55	307.93	355.30	426.36
SNARESTONE	155.10	180.95	206.80	232.65	284.35	336.05	387.75	465.30
STAUNTON HAROLD	107.87	125.84	143.82	161.80	197.76	233.71	269.67	323.60
STRETTON-EN-LE-FIELD	146.89	171.38	195.86	220.34	269.30	318.27	367.23	440.68
SWANNINGTON	145.25	169.45	193.66	217.87	266.29	314.70	363.12	435.74
SWEPSTONE	162.39	189.46	216.52	243.59	297.72	351.85	405.98	487.18
WHITWICK	179.81	209.78	239.75	269.72	329.66	389.60	449.53	539.44
WORTHINGTON	129.04	150.55	172.05	193.56	236.57	279.59	322.60	387.12

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TABLE D

## COUNCIL TAX 2020/2021 (PCC, LFRS, LCC) BY AREA AND VALUATION BAND

MAJOR PRECEPTOR	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
LEICESTERSHIRE COUNTY COUNCIL	895.82	1,045.12	1,194.43	1,343.73	1,642.34	1,940.95	2,239.55	2,687.46
LEICESTERSHIRE POLICE AND CRIME COMMISSIONER	155.49	181.40	207.32	233.23	285.06	336.89	388.72	466.46
COMBINED FIRE AUTHORITY	45.31	52.86	60.41	67.96	83.06	98.16	113.27	135.92

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TABLE E

## TOTAL COUNCIL TAX 2020/2021 BY AREA AND VALUATION BAND

PARISH / AREA	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
APPLEBY MAGNA	1,229.19	1,434.05	1,638.92	1,843.78	2,253.51	2,663.24	3,072.97	3,687.56
ASHBY DE LA ZOUCH	1,256.83	1,466.30	1,675.78	1,885.24	2,304.18	2,723.13	3,142.07	3,770.48
ASHBY WOULD'S	1,258.35	1,468.06	1,677.80	1,887.51	2,306.96	2,726.41	3,145.86	3,775.02
BARDON	1,202.34	1,402.72	1,603.12	1,803.50	2,204.28	2,605.06	3,005.84	3,607.00
BELTON	1,264.84	1,475.64	1,686.45	1,897.25	2,318.86	2,740.48	3,162.09	3,794.50
BREEDON-ON-THE-HILL	1,241.65	1,448.58	1,655.53	1,862.46	2,276.34	2,690.22	3,104.11	3,724.92
CASTLE DONINGTON	1,297.26	1,513.46	1,729.68	1,945.88	2,378.30	2,810.72	3,243.14	3,891.76
CHARLEY	1,241.81	1,448.77	1,655.75	1,862.71	2,276.65	2,690.59	3,104.52	3,725.42
CHILCOTE	1,202.34	1,402.72	1,603.12	1,803.50	2,204.28	2,605.06	3,005.84	3,607.00
COALVILLE	1,247.49	1,455.39	1,663.32	1,871.22	2,287.05	2,702.88	3,118.71	3,742.44
COLEORTON	1,223.84	1,427.80	1,631.79	1,835.75	2,243.70	2,651.64	3,059.59	3,671.50
ELLISTOWN & BATTLEFLAT	1,255.17	1,464.35	1,673.56	1,882.74	2,301.13	2,719.52	3,137.91	3,765.48
HEATHER	1,226.30	1,430.67	1,635.07	1,839.44	2,248.21	2,656.97	3,065.74	3,678.88
HUGGLESCOTE & DONINGTON LE HEATH	1,260.06	1,470.06	1,680.08	1,890.08	2,310.10	2,730.12	3,150.14	3,780.16
IBSTOCK	1,259.07	1,468.90	1,678.76	1,888.59	2,308.28	2,727.97	3,147.66	3,777.18
ISLEY WALTON-CUM-LANGLEY	1,211.43	1,413.32	1,615.24	1,817.13	2,220.94	2,624.75	3,028.56	3,634.26
KEGWORTH	1,261.69	1,471.97	1,682.26	1,892.53	2,313.09	2,733.66	3,154.22	3,785.06
LOCKINGTON CUM HEMINGTON	1,248.73	1,456.85	1,664.98	1,873.09	2,289.33	2,705.58	3,121.82	3,746.18
LONG WHATTON and DISEWORTH	1,236.62	1,442.71	1,648.83	1,854.92	2,267.13	2,679.33	3,091.54	3,709.84
MEASHAM	1,249.17	1,457.36	1,665.56	1,873.75	2,290.14	2,706.53	3,122.92	3,747.50
NORMANTON-LE-HEATH	1,202.34	1,402.72	1,603.12	1,803.50	2,204.28	2,605.06	3,005.84	3,607.00
OAKTHORPE, DONISTHORPE and ACRESFORD	1,249.30	1,457.51	1,665.73	1,873.94	2,290.37	2,706.81	3,123.24	3,747.88
OSGATHORPE	1,219.34	1,422.55	1,625.79	1,829.00	2,235.45	2,641.89	3,048.34	3,658.00
PACKINGTON	1,239.85	1,446.49	1,653.14	1,859.77	2,273.05	2,686.34	3,099.62	3,719.54
RAVENSTONE	1,238.74	1,445.19	1,651.65	1,858.10	2,271.01	2,683.93	3,096.84	3,716.20
SNARESTONE	1,251.72	1,460.33	1,668.96	1,877.57	2,294.81	2,712.05	3,129.29	3,755.14
STAUNTON HAROLD	1,204.49	1,405.22	1,605.98	1,806.72	2,208.22	2,609.71	3,011.21	3,613.44
STRETTON-EN-LE-FIELD	1,243.51	1,450.76	1,658.02	1,865.26	2,279.76	2,694.27	3,108.77	3,730.52
SWANNINGTON	1,241.87	1,448.83	1,655.82	1,862.79	2,276.75	2,690.70	3,104.66	3,725.58
SWEPSTONE	1,259.01	1,468.84	1,678.68	1,888.51	2,308.18	2,727.85	3,147.52	3,777.02
WHITWICK	1,276.43	1,489.16	1,701.91	1,914.64	2,340.12	2,765.60	3,191.07	3,829.28
WORTHINGTON	1,225.66	1,429.93	1,634.21	1,838.48	2,247.03	2,655.59	3,064.14	3,676.96

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TABLE F

## EFFECT ON BAND D COUNCIL TAX BY PERCENTAGE 2020/2021

PARISH / SPECIAL EXPENSE AREA	DISTRICT	PARISH	SPECIAL ITEMS	LEICESTERSHIRE COUNTY COUNCIL	LEICESTERSHIRE FIRE AND RESCUE	POLICE AND CRIME COMMISSIONER	TOTAL OVERALL CHANGE
APPLEBY MAGNA	0.00%	-0.64%	35.43%	3.99%	1.98%	4.48%	3.59%
ASHBY DE LA ZOUCH	0.00%	5.00%	0.00%	3.99%	1.98%	4.48%	3.67%
ASHBY WOULD'S	0.00%	3.00%	0.00%	3.99%	1.98%	4.48%	3.58%
BARDON	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.61%
BELTON	0.00%	20.49%	0.00%	3.99%	1.98%	4.48%	4.33%
BREEDON-ON-THE-HILL	0.00%	6.12%	0.00%	3.99%	1.98%	4.48%	3.69%
CASTLE DONINGTON	0.00%	3.70%	0.00%	3.99%	1.98%	4.48%	3.62%
CHARLEY	0.00%	12.48%	0.00%	3.99%	1.98%	4.48%	3.87%
CHILCOTE	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.61%
COALVILLE	0.00%	0.00%	6.60%	3.99%	1.98%	4.48%	3.72%
COLEORTON	0.00%	-1.38%	35.78%	3.99%	1.98%	4.48%	3.64%
ELLISTOWN & BATTLEFLAT	0.00%	2.28%	0.00%	3.99%	1.98%	4.48%	3.56%
HEATHER	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.54%
HUGGLESCOTE & DONINGTON LE HEATH	0.00%	0.00%	2.50%	3.99%	1.98%	4.48%	3.47%
IBSTOCK	0.00%	-3.00%	0.00%	3.99%	1.98%	4.48%	3.29%
ISLEY WALTON-CUM-LANGLEY	0.00%	-0.07%	0.00%	3.99%	1.98%	4.48%	3.58%
KEGWORTH	0.00%	2.50%	0.00%	3.99%	1.98%	4.48%	3.56%
LOCKINGTON CUM HEMINGTON	0.00%	13.59%	32.68%	3.99%	1.98%	4.48%	4.02%
LONG WHATTON and DISEWORTH	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.51%
MEASHAM	0.00%	1.59%	29.63%	3.99%	1.98%	4.48%	3.55%
NORMANTON-LE-HEATH	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.61%
OAKTHORPE, DONISTHORPE and ACRESFORD	0.00%	3.27%	3.79%	3.99%	1.98%	4.48%	3.60%
OSGATHORPE	0.00%	18.54%	0.00%	3.99%	1.98%	4.48%	3.78%
PACKINGTON	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.50%
RAVENSTONE	0.00%	-3.52%	60.98%	3.99%	1.98%	4.48%	3.40%
SNARESTONE	0.00%	-4.45%	0.00%	3.99%	1.98%	4.48%	3.27%
STAUNTON HAROLD	0.00%	0.00%	0.00%	3.99%	1.98%	4.48%	3.61%
STRETTON-EN-LE-FIELD	0.00%	0.00%	8.26%	3.99%	1.98%	4.48%	3.76%
SWANNINGTON	0.00%	33.99%	0.00%	3.99%	1.98%	4.48%	4.36%
SWEPSTONE	0.00%	28.24%	0.00%	3.99%	1.98%	4.48%	4.52%
WHITWICK	0.00%	-1.46%	7.07%	3.99%	1.98%	4.48%	3.34%
WORTHINGTON	0.00%	116.19%	0.00%	3.99%	1.98%	4.48%	4.65%

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – TUESDAY, 25 FEBRUARY 2020



<b>Title of Report</b>	<b>INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2020/21</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#">Statutory Guidance on Local Government Investments – GOV.UK</a>  <a href="#">2020-2025 Medium Term Financial Plan – Cabinet 4 February 2020</a>  <a href="#">Investment Strategy – Service and Commercial 2020/21 - Cabinet 4 February 2020</a>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	<p>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.</p> <p><b>Signed off by the Section 151 Officer:</b> Yes</p>	
<b>Legal Implications</b>	<p>As detailed in the report</p> <p><b>Signed off by the Monitoring Officer:</b> Yes</p>	
<b>Staffing and Corporate Implications</b>	<p>As detailed in the report</p> <p><b>Signed off by the Head of Paid Service:</b> Yes</p>	
<b>Purpose of Report</b>	To seek approval of the Investment Strategy – Service and Commercial and to meet statutory requirements.	
<b>Recommendations</b>	<b>THAT COUNCIL APPROVE THE INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2020/21.</b>	

**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 under 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"> <li>- Supporting Coalville to be a more vibrant, family-friendly town</li> <li>- Support for businesses and helping people into local jobs</li> <li>- Developing a clean and green district</li> <li>- Local people live in high quality, affordable homes</li> <li>- Our communities are safe, healthy and connected</li> </ul>
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 Cabinet – 4 February 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 <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a>

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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.

<b>Category of borrower</b>	<b>2020/21 Approved Limit</b>
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
<b>TOTAL</b>	<b>£15,700,000</b>

- 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.

<b>Category of Company</b>	<b>2020/21 Approved Limit</b>
Subsidiaries	£5,000,000
Trading Company	£1,000,000
Suppliers	Nil
Local Businesses	Nil
<b>TOTAL</b>	<b>£6,000,000</b>

- 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
	<b>£12.6</b>	<b>£209</b>	<b>£88</b>	

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	15,213	14,649	14,675	14,682	15,244
Investment income	88	180	234	245	235	226
Proportion	0.59%	1.18%	1.60%	1.67%	1.60%	1.48%

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
<b>TOTAL INVESTMENTS</b>	<b>15,600</b>	<b>15,600</b>	<b>15,100</b>	<b>15,100</b>
Commitments to lend	0	0	0	0
Guarantees issued on loans	0	0	0	0
<b>TOTAL EXPOSURE</b>	<b>15,600</b>	<b>15,600</b>	<b>15,100</b>	<b>15,100</b>

\*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
<b>TOTAL FUNDED BY BORROWING</b>	<b>10,900</b>	<b>10,900</b>	<b>10,900</b>	<b>10,900</b>

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%

<b>Title of Report</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 AND PRUDENTIAL INDICATORS 2020/21 TO 2022/23</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#">Treasury Management Strategy Statement 2020/21 and Prudential Indicators 2020/21 to 2022/23</a> – Cabinet 4 February 2020	<b>Public Report:</b> Yes
<b>Financial Implications</b>	Interest earned on balances and interest paid on external debt, impact on the resources available to the authority. <b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	As detailed in the report. <b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	As detailed in the report. <b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To seek approval of the Treasury Management Strategy Statement, the Prudential Indicators and the Annual Minimum Revenue Provision Statement.	
<b>Recommendations</b>	<b>THAT COUNCIL APPROVES THE TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21, TREASURY MANAGEMENT PRUDENTIAL INDICATORS – REVISED 2019/20 AND 2020/21 TO 2022/23 AND THE ANNUAL MINIMUM REVENUE PROVISION STATEMENT.</b>	

## 1.0 BACKGROUND

- 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.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	<ul style="list-style-type: none"> <li>- Supporting Coalville to be a more vibrant, family-friendly town</li> <li>- Support for businesses and helping people into local jobs</li> <li>- Developing a clean and green district</li> <li>- Local people live in high quality, affordable homes</li> <li>- Our communities are safe, healthy and connected</li> </ul>
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 Cabinet – 4 February 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 <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a>

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## 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 15<sup>th</sup> 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 ending 2019 at -0.19% with 2 and 5-year securities ending at -0.61% and -0.46% respectively.

**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
<b>Arlingclose Central Case</b>	<b>0.75</b>							
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
<b>Total CFR</b>	<b>88.9</b>	<b>90.0</b>	<b>105.7</b>	<b>97.6</b>	<b>96.2</b>	<b>94.5</b>	<b>92.9</b>
Less: External Borrowing	81.2	80.1	79.0	64.8	62.6	59.8	58.6
<b>Internal Borrowing</b>	<b>7.7</b>	<b>9.9</b>	<b>26.7</b>	<b>32.8</b>	<b>33.6</b>	<b>34.7</b>	<b>34.3</b>
Less: Usable Reserves	38.4	40.9	143.4	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)
<b>Investments or (New Borrowing)</b>	<b>47.5</b>	<b>46.3</b>	<b>25.5</b>	<b>0.4</b>	<b>-5.5</b>	<b>-10.3</b>	<b>-11.4</b>

**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
<b>TOTAL GROSS EXTERNAL DEBT</b>	<b>81.3</b>	<b>80.7</b>
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>
<b>NET DEBT</b>	<b>32.9</b>	<b>17.8</b>

**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:

	<b>Cash limit</b>
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
<b>Total</b>	<b>25.818</b>	<b>12.739</b>	<b>23.084</b>	<b>20.728</b>	<b>13.561</b>

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
<b>Total Financing</b>	<b>14.595</b>	<b>9.984</b>	<b>13.949</b>	<b>13.294</b>	<b>12.169</b>
Unsupported borrowing	11.224	2.755	9.135	7.434	1.392
<b>Total Funding</b>	<b>11.224</b>	<b>2.755</b>	<b>9.135</b>	<b>7.434</b>	<b>1.392</b>
<b>Total Financing and Funding</b>	<b>25.818</b>	<b>12.739</b>	<b>23.084</b>	<b>20.728</b>	<b>13.561</b>

### 3. Capital Financing Requirement

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

<b>Capital Financing Requirement</b>	<b>2018/19 Actual £m</b>	<b>2019/20 Est £m</b>	<b>2020/21 Est £m</b>	<b>2021/22 Est £m</b>	<b>2022/23 Est £m</b>	<b>2023/24 Est £m</b>
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
<b>Total CFR</b>	<b>88.9</b>	<b>90.0</b>	<b>105.7</b>	<b>97.6</b>	<b>96.2</b>	<b>94.5</b>

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.

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

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.

<b>Operational Boundary for External Debt</b>	<b>2019/20 Approved £m</b>	<b>2019/20 Revised £m</b>	<b>2020/21 Est £m</b>	<b>2021/22 Est £m</b>	<b>2022/23 Est £m</b>
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
<b>Total</b>	<b>130.914</b>	<b>116.047</b>	<b>138.88</b>	<b>159.236</b>	<b>137.381</b>

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

<b>Authorised Limit for External Debt</b>	<b>2019/20 Approved £m</b>	<b>2020/20 Revised £m</b>	<b>2020/21 Est £m</b>	<b>2021/22 Est £m</b>	<b>2022/23 Est £m</b>
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
<b>Total</b>	<b>133.114</b>	<b>118.247</b>	<b>141.08</b>	<b>161.436</b>	<b>139.581</b>

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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2018/19 Actual %</b>	<b>2019/20 Approved %</b>	<b>2019/20 Revised %</b>	<b>2020/21 Est %</b>	<b>2021/22 Est %</b>	<b>2022/23 Est %</b>
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
<b>Total (Average)</b>	<b>9.27</b>	<b>9.37</b>	<b>9.21</b>	<b>9.48</b>	<b>12.43</b>	<b>12.87</b>

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.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2019/20 Approved £</b>	<b>2019/20 Revised £</b>	<b>2020/21 Estimate £</b>	<b>2021/22 Estimate £</b>	<b>2022/23 Estimate £</b>
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.

	<b>Existing (Benchmark) level 31/03/19 %</b>	<b>2019/20 Approved %</b>	<b>2020/21 Revised %</b>	<b>2021/22 Estimate %</b>	<b>2022/23 Estimate %</b>	<b>2023/24 Estimate %</b>
<b>Upper Limit - Fixed Interest Rate Exposure</b>	100	100	100	100	100	100
<b>Upper Limit - Variable Interest Rate Exposure</b>	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.

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit for 2020/21 %</b>	<b>Upper Limit for 2020/21 %</b>
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.

	<b>2019/20 Approved £m</b>	<b>2020/21 Revised £m</b>	<b>2020/21 Estimate £m</b>	<b>2021/22 Estimate £m</b>	<b>2022/23 Estimate £m</b>
<b>Upper Limit</b>	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 1<sup>st</sup> 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.

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – 25 FEBRUARY 2020



<b>Title of Report</b>	<b>GENDER PAY GAP REPORT 2019</b>	
<b>Presented by</b>	Councillor Robert Ashman Deputy Leader	
<b>Background Papers</b>	Held in Room 125 of the Council Offices and on the I-Trent HR software system electronically. Some of the background papers are confidential because they relate to individual employees...	<b>Public Report:</b> Yes
<b>Financial Implications</b>	No additional financial implications.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	There are no implications	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no implications	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	The Council is required by the Equality Act 2010 (section 78) to publish gender pay gap information, by reporting the percentage differences in pay between male and female employees. This report has been produced to provide the relevant information in accordance with the relevant provisions of the Act.	
<b>Recommendations</b>	<b>THAT THE REPORT BE NOTED.</b>	

**1.0 BACKGROUND**

- 1.1 Under Section 78 of the Equality Act 2010, the Council is required to publish and report percentage differences in pay between its male and female employees. The figures are based on specific reference date (snapshot date) on **31<sup>st</sup> March 2019**.
- 1.2 The following information has to be published on the Council's website and will also be reported to and published by central government

- **Mean Gender Pay Gap** – The mean pay gap is the difference between average hourly earnings of men and women.
- **Median Gender Pay Gap** – The median pay gap is the difference between the midpoints in the ranges of hourly earnings of men and women. It takes all salaries in the sample, lines them up in order from lowest to highest, and picks the middlemost salary.
- **Mean bonus Gender Pay Gap** - The difference between the mean bonus pay paid to male employees and that paid female employees
- **Median bonus Gender Pay Gap** – The difference between the median bonus pay paid to male employees and that paid to female employees
- **Proportion of males and females receiving a bonus payment** – The proportion of male and female employees who were paid bonus pay during the period
- **Proportion of males and females in each pay quartile** – The proportion of male and female full-pay employees in the lower, lower middle, upper middle and upper quartile pay bands.

1.3 The Gender pay gap is a measure of the difference between men’s and women’s average earnings across the organisation. This is different to the Equal Pay reporting, which aims to ensure that men and women are not paid differently for doing the same or similar work. The intention behind gender pay gap reporting is to increase transparency of the differences in pay between men and women in the workplace with the aim of closing the gender pay gap.

## 2.0 RESULTS

2.1 A summary of this Councils results are as follows

- **Mean Gender Pay Gap** – The females mean hourly rate was 1.45% lower than males on the 1/4/19.
- **Median Gender Pay Gap** – The females’ median pay hourly rate was 3.2% lower than males on the 1/4/19.

	Mean (%)	Median (%)
2017	5.3	11.28
2018	1.91	4.44
2019	1.45	3.2

There has been a continuing decline in both the mean and median gender pay gap over the three year period – the decline has been less marked between 2018 and 2019. This can be explained by changes in the workforce partly attributable to

restructuring activities, changes at managerial levels, apprentices joining the Council during the period and by gender changes to the workforce caused by leavers and starters at different grading levels. The data is also affected by the variable shift patterns and demographics of casual shift workers at the two Leisure Centres which can vary from year to year.

It is, nonetheless, a positive development to report further reductions in the mean and median rates.

(Note the workforce data from the Leisure Centres **is** included in this gender pay gap information because the transfer of the Leisure staff to our partner Everyone Active took place on the 1/5/2019.)

It is important to emphasise the gender pay data is calculated at a moment in time, so is a snapshot.

- **Mean bonus Gender Pay Gap** -  
Not applicable
- **Median bonus Gender Pay Gap**  
Not applicable
- **Proportion of males and females receiving a bonus payment** – Not applicable
- **Proportion of males and females in each pay quartile**

The table below shows the gender split of males and females in each pay quartile. There have been some marginal changes in comparison to the previous year, but nothing of particular significance to highlight.

	Male	Female
Lower Quartile	47	53
Lower Middle Quartile	45	55
Upper Middle Quartile	54	46
Top Quartile	46	54

2.2 It is important to note that all of our job roles are subject to job evaluation processes, which determine the pay grade for the job based on knowledge, skill and responsibility levels. Therefore, while acknowledging there is a gender pay gap, we are confident that men and women are paid equally for doing the equivalent jobs across the council.

### 3.0 ANALYSIS

3.1 While we are confident that men and women are paid equally for doing equivalent jobs across the Council, the main reason for the organisation-wide gender pay gap is an imbalance of male and female employees across the Council. The analysis has shown that there is a disproportionately high number of women (85%) paid at Grade A (see Appendix 1) – the overall gender pay gap would have been greater if the council had not committed to the voluntary living wage.

3.2 The following table shows the gender pay gap information for some of the other Leicestershire Councils for purposes of comparison.

Local Authority	Mean pay gap	Median pay gap
Charnwood Borough Council	12.6%	15.6%
Blaby District Council	0.1%	6.3%
Hinckley and Bosworth Borough Council	4.6%	2.5%
Leicestershire County Council	12.0%	7.0%

3.3 We accept that the ideal position would be no gender pay gap, and part of the rationale for publishing the data is to understand where we are and how we compare to other organisations. In measuring the data we can monitor any changes that might occur from year to year.

3.4 One of the difficulties of the gender pay gap measurements is they have been published at the end of a year and the information relates to a date at the beginning of that financial year. Such historic information is not helpful in measuring where we are and thinking about where we want to be. The Council's workforce changed significantly from May 2019 when the employees in the Leisure Centres transferred to our Leisure Partner Everyone Active..

3.5 We are not complacent about reducing the difference and we already have a number of measures in place to support female employees:-

- We introduced the voluntary Living wage in 2014, which had a significant impact on the (largely female) employees engaged in part-time roles in the lower pay scales.
- We provide options for flexible working policies for all employees across the Council and we are currently reviewing the policies to provide more flexibility for agile working. Current arrangements include flexible working hours, part-time working, flexible retirement, and mixed location working (a combination of office and homeworking).

- We have provided childcare vouchers to employees to facilitate additional financial support following periods of maternity leave.
- We offer enhanced (national conditions of service) maternity and paternity schemes to support parents to more easily facilitate returns after the birth or adoption of a child.
- We have in place a scheme which allows employees to buy additional (unpaid) leave to facilitate more flexibility around caring responsibilities.
- We have allowed employees to move into a flexible retirement situation where they reduce their hours of work and access part of their pension - in some circumstances this also has the benefit of then creating a part-time development opportunity for other employees in the workforce.

3.6 Our future plans will involve further consideration of how we might further support female employees with their career development, to provide the conditions to support them during times of maternity absence, childcare or elderly caring responsibilities and further improvements to flexible working arrangements. We will also review the recently announced changes to bereavement leave and the implications for our policies.

## Appendix 1

Split of males and females in each pay grade.

Grade	Female (%)	Male (%)
APPRENTICES	33	67
A	85	15
B	46	54
C	68	32
D	40	60
E	43	57
F	64	36
G	56	44
H	46	54
I	31	69
Heads of Service	25	75
Director	0	100
CEO	100	0

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	No specific links to Council priorities.
Policy Considerations:	Links to the Equality and Diversity policy.
Safeguarding:	No specific considerations
Equalities/Diversity:	Detailed in the report.
Customer Impact:	No direct impacts
Economic and Social Impact:	Not applicable
Environment and Climate Change:	No direct impacts
Consultation/Community Engagement:	A copy of the report has been provided to the local trade unions.
Risks:	No specific risks
Officer Contact	Bev Smith Chief Executive Mike Murphy Head of HR and OD

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**  
**COUNCIL – 25 FEBRUARY 2020**



<b>Title of Report</b>	<b>PAY POLICY STATEMENT 2020/21</b>	
<b>Presented by</b>	Councillor Robert Ashman Deputy Leader	
<b>Background Papers</b>	Held in Room 125 of the Council Offices and on the I-Trent HR software system electronically. Some of the background papers are confidential because they relate to individual employees..	<b>Public Report:</b> Yes
<b>Financial Implications</b>	No additional financial implications.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	There are no implications	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no implications	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	The Council is required by the Localism Act 2011 to prepare and approve a pay policy statement in respect of each financial year, before the commencement of that financial year. This report has been produced to provide the relevant information in accordance with the relevant provisions of the Act.	
<b>Recommendations</b>	<b>THAT COUNCIL APPROVES THE COUNCIL'S PAY POLICY STATEMENT 2020/21, AS ATTACHED AT APPENDIX 1 OF THIS REPORT.</b>	

## 1.0 BACKGROUND

- 1.1 Under Section 38 of the Localism Act 2011, the Council is required to produce a Pay Policy Statement for each financial year, which must be approved by full Council before the beginning of the financial year to which it relates.
- 1.2 The Statement must set out the Council's policies in relation to:
- Senior Officers
  - Its lowest paid employees; and

- The relationship between the pay of Senior Officers and the pay of other employees

1.3 For the purposes of this statement 'pay' includes basic salary, bonuses and all other allowances arising from employment.

1.4 The proposed pay policy statement attached sets out the Council's policy and explains the processes that apply to performance management and assessment. The Policy Statement also details the other benefits payable to Senior Officers and the approach to the engagement of Interim Senior Officers who may be in receipt of a previous public sector pension.

1.5 In accordance with the requirements of the Localism Act, the statement details the Council's pay multiple, which is (the relationship between the median average pay of the Council's workforce compared to the salary of the most Senior Officer (the Chief Executive)). This multiple has decreased slightly to a factor of 5.05 in last year's pay statement.

## **2.0 CHANGES**

2.1 The following changes are worthy of mention in this year's pay statement:-

- The structure of the Councils' senior management team was changed in a report to Council in January 2018. The senior structure now comprises a Chief Executive, two Strategic Directors and eight Heads of Service. A further Head of Service, the Joint Strategic Planning manager, although employed by this Council is a shared funded post with other Leicestershire and Rutland partner Councils.
- (Paragraph 3.5) Cost of living pay increases are determined under National consultative arrangements, The cost of living pay increase for 2020/21 had not been determined at the time this report was prepared (February 2020.) The report shows the current (February 2020) pay rates.
- (Paragraph 4.5) The car allowance rates have not changed. They remain at the same level as during 2018/19.
- (Paragraph 5.2). The pension discretions applicable to all employees including Senior Officers were reviewed and updated in September 2018.
- (Paragraph 11.2). The Council agreed to adopt the "Voluntary Living Wage" for all of its employees from 1<sup>st</sup> April 2014. The Living Wage rate changed to £17,578 per annum (£9.30 per hour) in November 2019.
- (Paragraph 11.3) The pay multiple ratio between the median average pay and the salary of the most highly paid senior officer has decreased slightly to a factor of 5.05. This is a minor change on the previous year when the multiple was 5.16

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	No specific links to Council priorities.
Policy Considerations:	The Council's Pension Discretions Policy and employee terms and conditions policies are relevant.
Safeguarding:	No specific considerations
Equalities/Diversity:	No specific considerations
Customer Impact:	No direct impacts
Economic and Social Impact:	Not applicable
Environment and Climate Change:	No direct impacts
Consultation/Community Engagement:	A copy of the report has been provided to the local trade unions and to the employees in the job roles detailed in the report.
Risks:	No specific risks
Officer Contact	Bev Smith Chief Executive Mike Murphy Head of HR and OD

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**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL****Pay Policy Statement 2020/21****1.0 Introduction**

- 1.1 This Statement sets out the Council's policies in relation to the pay of its workforce, particularly its Senior Officers, in line with Section 38 of the Localism Act 2011. In accordance with that Act, the Statement is required to be approved by Full Council each year. The statement will be published on the Council's website. The Council is committed to an open and transparent approach to the pay and benefits that apply to its workforce.
- 1.2 This Statement sets out the Council's policies relating to the payment of the workforce particularly:
- Senior Officers
  - Its lowest paid employees; and
  - The relationship between the pay of Senior Officers and the pay of other employees
- 1.3 For the purposes of this statement 'pay' includes basic salary, bonuses and all other allowances arising from employment.

**2.0 Objectives of this Statement**

- 2.1 This Statement sets out the Council's key policy principles in relation to pay. The Council has employment law and contractual responsibilities in relation to the pay and benefits of its existing employees and these have been taken into account when formulating the Statement.
- 2.2 This Statement aims to ensure the Council's approach to pay and benefits attracts and retains a high performing workforce whilst ensuring value for money. It sits alongside the information on pay that the Council already publishes as part of its responsibilities under the Code of Practice for Local Authorities on Data Transparency.

**3.0 Basic Salaries of Senior Officers**

- 3.1 From a legal perspective, for the purposes of this Statement Senior Officers are defined as those posts paid on Chief Executive or Chief Officer conditions of service.
- 3.2 In North West Leicestershire District Council eleven posts are engaged under Chief Executive or Chief Officer terms and conditions of service. The Council has three relevant salary bandings – the Chief Executive Band which applies to one post, a Director Band which applies to two posts, and a Head of Service Band which applies to nine posts.
- 3.3 The following posts are determined to be statutory, Chief or Deputy Chief Officer posts in the Council:-

Chief Executive (Head of Paid Service and Returning Officer)  
 Strategic Directors – (2)  
 Head of Legal and Commercial Services (Monitoring Officer)  
 Head of Finance (S151 Officer)  
 Head of Human Resources and Organisation Development  
 Head of Housing and Property  
 Head of Planning and Infrastructure  
 Head of Community Services  
 Head of Economic Regeneration  
 Head of Customer Services  
 Joint Strategic Planning Manager (Jointly funded Partnership post, but actually an employee of North West Leicestershire District Council)

There have been two changes to the senior team during 2019/20 – the former Director of Housing and Customer Services and the Joint Strategic Planning Manager voluntarily left the Council during the year. Both posts have subsequently been successfully filled, with the new Joint Strategic Planning Manager starting in July 2019 and a new Strategic Director starting in January 2020.

- 3.4 It should also be noted for completeness that two other posts at Service Manager Level are Deputy Chief Officers within the definition applied to the Council's Constitution because of their functions within the Council as Deputy Monitoring Officer and Deputy Finance Officer. Their information has not been included within this statement because they are not engaged on Chief Officer terms and conditions of service
- 3.5 The Heads of Service are all located within a salary range £56,218 to £65,511 (9 incremental points), The Director salary range is £77,280 to £86,587 (6 incremental points) and the Chief Executive Salary range is £119,605 to £128,048. (4 incremental points). The cost of living increase for the 2020/21 financial year has not been agreed (a nationally negotiated rise applicable across Local Government) at the time this report was written.
- 3.6 The salaries of all Senior Officers have been set previously by formal meetings of elected members. The Chief Executive's salary level was reviewed as part of the decision to replace the post in 2017.
- 3.7 A member review of the salaries of the Heads of Service last took place in 2011. The Directors and Heads of Service are all subject to an annual appraisal process, and are required to report on their progress against the Council Delivery Plan and performance indicators to the Corporate Scrutiny Committee and Cabinet on a quarterly basis and as an end of year final report.
- 3.8 Increments for all employees including Senior Officers are paid on an annual basis until the maximum of the scale is reached. The Chief Executive, or her nominated representative, has the discretion to award and withhold increments of officers' dependant on satisfactory or unsatisfactory performance.
- 4.0 Car Allowance payments made to Senior Officers.**
- 4.1 It is a requirement of the contracts of all Senior Officers that they be on a call-out rota to be available for Service Emergencies or to act in the event of a civil local or national emergency situation. The rota offers 24/7 365 days a year cover.

- 4.2 Due to the need to respond to emergencies out-of-hours and being on-call, Senior Officers have either a Car Lease or Essential car allowance. These criteria also apply to other employees in the workforce.
- 4.3 The annual car leasing value to Senior Officers varies depending on the year renewal date of their vehicle and the relative value of “benchmark” vehicles in the Car Leasing scheme, which change from time to time. On the basis of the current arrangements the actual current Council contributions range between £2,362 - £3,121 per annum (for the Senior Officers in this statement).
- 4.4 All Officers who are provided with a lease car are tied to a 4 year contract, with penalties payable if they terminate the contract prematurely. Officers are responsible for their own car insurance and petrol / diesel costs. If Officers with a lease car use the car for business mileage they are reimbursed at 16.6p per mile. This rate is reviewed periodically by reference to the National Conditions of Service petrol element. This mileage rate has not changed during the course of the 2019/20 financial year
- 4.5 The Car Allowance rates for Senior Officers are identical to those for all other employees in the Council, and these have been determined at National Level by the annual negotiations between the Employers’ Organisations and the Trade Unions. The current rate is a lump sum allowance of £963 per annum which is paid in monthly instalments. Officers are then paid a fixed mileage rate for any business miles undertaken, which varies from 36.9p per mile to 40.9p per mile. These rates have not been changed since 2010.

## **5.0 Local Government Pension Scheme**

- 5.1 All Council employees may join the Local Government Pension Scheme. The Scheme is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the local government pension scheme see:

<http://www.lgps.org.uk/>

- 5.2 Neither the Scheme nor the Council adopt different policies with regard to benefits for any category of employee and the same terms apply to all staff. The Council policies relating to pension discretions were reviewed and updated in a report to Council in September 2018. The reviewed discretions apply to all employees (and former employees) in the workforce equally. The Council will consider each case on its merits. There is no scope for the discretions to be applied more favourably to Senior Officers.
- 5.3 The Local Government Pension Scheme is an optional benefit. If senior officers are members of the scheme the employee contribution rates range between 8.5% and 11.4%.

## **6.0 Professional Fees**

- 6.1 The Council reimburses the cost of professional fees for Senior and other Officers where it is essential to the performance of the job role. The Council will reimburse the cost of one fee up to a current maximum of £263 per annum. The annual maximum is linked to a percentage of one of the spinal column points in the main employee salary scale, so is increased when there is a nationally-agreed cost of living rise.

## **7.0 Election fees**

- 7.1 In accordance with the national agreement the Chief Executive is entitled to receive and retain the personal fees arising from performing the duties of returning officer, acting returning officer, deputy returning officer or deputy acting returning officer and similar positions which he or she completes.
- 7.2 Fees for returning officer and other electoral duties are identified and paid separately for local government elections, elections to the UK Parliament and other electoral processes such as referenda. As these relate to performance and delivery of specific elections duties they are distinct from the process for the determination of pay for Senior Officers. The fees are set externally by legislation and based on a formula linked to the number of electors.

## **8.0 Employment Stability Policy**

- 8.1 The Council has previously determined that its “Employment Stability Scheme” will apply to all employees of the Council including Senior Officers. The Employment Stability Policy provides that actual weekly pay will be used when calculating an employee’s redundancy payment and the number of redundancy weeks payable is the statutory number of weeks redundancy multiplied by a factor of 1.5. This means that the maximum number of weeks payable, depending on age and service, is 45. The National Local Government Pension Scheme Regulations provide that employees aged over 55 gain automatic payment of their pension if they are made redundant by the Council and there can then be an associated pension Capital cost payable by the Council.
- 8.2 The Employment Stability Policy also includes the potential for any employee (including Senior Officers) who is at risk of being made redundant to receive salary protection for 3 years on a stand-still basis if they are redeployed to a lower graded post. It should be noted that in practice, this is a rare occurrence.
- 8.3 Full Council will be given the opportunity to vote on severance arrangements which exceed a total value of £100,000 before they are approved. The information presented will clearly set out the components of the severance package (e.g. salary paid in lieu, redundancy compensation, pension capital costs, holiday pay and any other bonuses, fees or allowances paid).

## **9.0 Whole-time service**

- 9.1 All Senior Officers are expected to devote the whole of their service to the Authority and are excluded from taking up additional business, ad hoc services or additional appointments without consent. Officers at a senior level are restricted from being involved in specified political activities, and all employees of the Council are bound by a code of conduct. Senior Officers are expected to work the hours required to complete the job, subject to a minimum of 36.25 hours per week. No additional payments are normally made for out-of-hours working, and there is an expectation that Senior Officer Roles will include on-call and out-of-hours meetings and duties.

## **10.0 Other benefits.**

- 10.1 A number of the Senior Officers' terms and conditions of Service are determined at National level according to the following frameworks:

National Joint Council for Chief Executives Conditions of Service  
National Joint Council for Chief Officers Conditions of Service

These frameworks provide the details of conditions of service such as annual leave, sick pay, maternity allowances, training and development etc.

## **11.0 Pay Relationships**

- 11.1 The Localism Act 2011 requires the Council to set out its policy relating to the relationship between the pay of its Senior Officers and the pay of the rest of its employees. The Council has not previously set its pay structure of any group of employees by reference to a pay multiple. The Council has previously set the pay rates for different groups through processes of job evaluation, market comparability and the prevailing economic and market conditions. These can vary enormously from time to time and between the many occupational groups comprising the Council's workforce.

- 11.2. Pay of the Council's Lowest Paid Employees

The Council has defined its lowest paid employees as those on the lowest pay grade the Council operates, who are not undergoing an apprenticeship. The Council agreed to pay the "Voluntary Living Wage" rate as a minimum wage figure in April 2014, and this rate was updated in November 2019 to £17,578 per annum.

- 11.3 The Localism Act requires Councils to calculate the pay multiples between the highest and lowest earners. The median average pay of the Council's workforce in February 2020 (including overtime payments) was £24,799 which when compared to the salary of the most highly-paid Senior Officer at £125,169 per annum, produces a pay multiple factor is 5.05. There has been a slight but not significant change decline in the ratio when compared to 2018 when the factor was 5.16.

## **12.0 Approach to pensioners and Interim Managers.**

- 12.1 The Localism Act requires an explanation of the Council's policy in relation to the arrangements that might apply where it could appear that the public sector is paying an individual twice through a salary and a pension for doing the same job. This Council's view is that it is not good value for money for the taxpayer to make a person redundant (and pay a pension if they are aged 55 years and over) for them to then return to the same job. The Council will not condone this approach. However, it should be noted that there may be circumstances where the Council may employ individuals who are in receipt of a public sector pension for new roles where they are the best person for the job. An example of this may be the employment of ex-services or "blue-light" personnel, to a different role in this Council. There might be risks of age or disability claims if the Council was to adopt a contrary position.
- 12.2 The Council has used Interim Managers to fill short-term vacancies or to undertake specific projects where there are capacity issues or a shortage of a particular skill set within the Council's own workforce. This may mean that the Council could engage

Interim Managers who are in receipt of a public sector pension from other previous employment where an appropriate assessment has been completed on the value-for-money of the proposed arrangement for the Council. Such assessments will be completed by the Head of the Paid Service in consultation with the Leader of the Council.

### **13.0 Review and Changes**

The Council will review this policy annually, or if amendments need to be made before the date of the scheduled review, in year, to Full Council. Any significant amendments or changes to the legislation which may affect the pay and benefits of Senior Officers will be determined according to the Council's constitution or legislation by the relevant Committee / Panel / Council meeting.