Scan the code above or visit www.nwleics.gov.uk/meetings for a full copy of the agenda.

Meeting	**CORPORATE SCRUTINY COMMITTEE**
Time/Day/Date	6.30 pm on Wednesday, 6 January 2021
Location	Remote Meeting using Microsoft Teams
Officer to contact	Democratic Services 01530 454512

AGENDA

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATION OF INTERESTS**	
	Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3.	**PUBLIC QUESTION AND ANSWER SESSION**	
	To receive questions from members of the public under rule no.10 of the Council Procedure Rules. The procedure rule provides that members of the public may ask any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Support Services.	
4.	**MINUTES**	
	To approve and sign the minutes of the meeting held on 11 November 2020	**3 - 6**
5.	**ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME**	
	To consider any items to be included in the work programme. The plan of forthcoming Cabinet decisions and the current work programme are attached for information.	**7 - 16**
6.	**CORPORATE DISPOSAL POLICY**	
	Report of the Head of Housing	**17 - 28**
7.	**DRAFT GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET**	
	Report of the Head of Finance	**29 - 56**

Circulation:

Councillor R Boam (Chairman)
Councillor J Hoult (Deputy Chairman)
Councillor E G C Allman
Councillor A J Bridgen
Councillor G Hoult
Councillor R Johnson
Councillor S Sheahan
Councillor N Smith
Councillor D E J Tebbutt
Councillor M B Wyatt

MINUTES of a meeting of the CORPORATE SCRUTINY COMMITTEE held in the Remote Meeting using Microsoft Teams on WEDNESDAY, 11 NOVEMBER 2020

Present: Councillor R Boam (Chairman)

Councillors J Hoult, E G C Allman, A J Bridgen, G Hoult, R Johnson, S Sheahan, N Smith and M B Wyatt

Portfolio Holders: Councillors R D Bayliss and N J Rushton

Officers: Mr A Barton, E Tomlinson, Miss A Wright, Mrs T Bingham, Mr C Lambert, Mr P Sanders, Mr P Wheatley, C Colvin and Mrs R Wallace

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D Tebbutt.

11. DECLARATION OF INTERESTS

Councillor S Sheahan declared a non-pecuniary interest in item 5 – Items for Inclusion in Future Work Programme and Item 7 – Budget Proposals 2021/22 as a Leicestershire County Councillor and a property owner affected by HS2. He confirmed that if any discussion took place regarding HS2 he would leave the meeting.

Councillor M B Wyatt declared a non-pecuniary interest in item 7 – Budget Proposals 2021/22 as a Coalville business owner. He confirmed he would leave the meeting if discussions were had on anything directly related to his businesses.

12. PUBLIC QUESTION AND ANSWER SESSION

None.

13. MINUTES

Consideration was given to the minutes of the meeting held on 2 September 2010.

It was moved by Councillor J Hoult, seconded by Councillor E Allman and by affirmation of the meeting was

RESOLVED THAT:

The minutes of the meeting held on 2 September 2020 be approved as a correct record.

14. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

The Chairman referred Members to the Committee's Work Programme and the Cabinet's Executive Decision Notice.

Members were invited to make requests for additional items to be included. No comments were made.

The Strategic Director informed Members that as the December meeting had only one item scheduled, it had been agreed by the Chairman to cancel this meeting and defer the item to the January meeting.

By affirmation of the meeting it was

RESOLVED THAT:

The Future Work Programme be received and noted.

15. EXCLUSION OF PRESS AND PUBLIC

It was moved by Councillor J Hoult, seconded by Councillor N Smith and

RESOLVED THAT:

In pursuance of Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that the business to be transacted involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and that the public interest in maintaining this exemption outweighs the public interest in disclosing the information.

16. BUDGET PROPOSALS 2021/22

The Corporate Portfolio Holder advised Members that for the second year, the Corporate Scrutiny Committee were being asked to have an early input into the draft budget proposals and all comments would be fed back to individual portfolio holders prior to consideration by Cabinet in December. He thanked the Head of Finance and her team for the hard work undertaken on the budget proposals under very difficult national circumstances.

Members were reminded that in accordance with the usual budget setting process, a further budget report would be brought to committee for more detailed scrutiny in January.

The Head of Finance presented the report to Members. She explained that the report reflected the budget changes for the next financial year but was still very much in draft as there was a lot of work still ongoing in relation to staffing, value of small (below £5,000) budget changes, general fund funding position and the impact of capital grants on revenue. The Head of Finance referred Members to an error in Appendix B of the report in relation to the self-sufficiency fund, there should be no change at all from last year and should not be included.

The following responses were given to a number of questions from Councillor S Sheahan:

- The allocation of £100,000 from the self-sufficiency reserve for engaging external expertise to assist in the delivery of savings was questioned; as it was felt it could be put to better use elsewhere. The Portfolio Holder explained that this allocation fell under the 'invest to save' banner and as NWLDC was a small local authority with lots of pressures, it would be beneficial for an external view to help generate the savings missed out on this year. The Head of Finance also stressed the benefits of external expertise. She explained that it would also assist with officer capacity, as there had been a shift in focus in response to the national issues.

- In relation to the proposed investments in both Marlborough Square and Memorial Square, it was asked what benefits the community would receive, as there was little detail. The Interim Regeneration Project Manager explained that the investment formed part of a bid that if successful would bring £18million to the area. Members were reminded that the full project plan had been to Cabinet and was available if required. It was added that more plans were subject to Cabinet approval and a further report would be considered in the near future. The Portfolio Holder was very hopeful that the bid would be a success and believed it could be a turning point for Coalville. He stressed that the regeneration of Coalville was a priority and he felt that the project was aspirational.

- The decision to fund the Breedon Gate installation was questioned due to the high level of expenditure on an asset not owned by the Council. The Portfolio Holder was closely involved in the issue as it fell under his County Council constituency. He explained that there was many issues in the area, especially anti-social behaviour and the installation of the gate would assist immensely. Although it seemed a large investment, the installation was a very technical process and involved the department of transport, highway works and many legalities such as gating orders, information of which could be provided if necessary. He added that the Chief Executive and the Leader of the Council was also heavily involved and that the investment was necessary. The Head of Community Services added that this area was an area of extreme concern as regards anti-social behaviour for which the council has a statutory responsibility.

- In response to questions in relation to the HRA Zero Carbon Programme and Green Grant Funding, the Head of Housing explained that 65 percent of the housing stock had an EPC rating between D and G, and the intention was to apply for funding. Due to the introduction of Universal Credit, details to assess if tenants were suffering from fuel poverty was not available, however the Head of Housing assured Members that there were other methods of obtaining information and officers were looking into the matter further.

- In relation to the Home Improvement Programme, it was asked if the increase in allocation was intended to improve or maintain the standard. The Head of Housing explained that housing stock components were continuously measured using a formula to determine lifecycles and this was used to put together the improvement programme. It was confirmed that following a stock survey the allocation proposed was required to undertake the works to maintain the current standard.

- In relation to the delay in the Sheltered Housing Improvement Programme, the Head of Housing explained that the delay was to improve the quality of the offer to the tenants in the remaining schemes. He advised that a number of assessments and consultations were still required, which would form part of the asset management strategy in quarter 4.

- Regarding the plans for off street charging points for electric vehicles, the Head of Community Services reported that it was an ongoing piece of work and therefore it was difficult to provide numbers and locations. However, he confirmed that lots of work was being undertaken in relation to the Council's carbon footprint and vehicles, with officers working on applying for a grant worth £100,000. When plans had been developed further, it would be reported back to Members including Community Scrutiny in the New Year.

- In reference to the savings as a result of the reduction in customer services staff, assurances in the continuing standard in service were sought. The Head of Finance confirmed that robust assessments had been undertaken and assurance from the Head of Service had been received.

Councillor S Sheahan spoke in support of the food waste pilot. He also asked for the installation of better cameras to assist in the detection of fly tipping, he was aware that officers were looking into options but asked that this be supported by Cabinet, as it was an important matter. The Portfolio Holder concurred with Councillor S Sheahan and agreed to take this suggestion forward to Cabinet.

Councillor M B Wyatt was in full support of the additional officer to manage the increasing rent arrears in response to Covid-19. He also supported the proposals for the fleet replacement programme but did not feel like it was being tackled quickly enough. He added that it seemed like the Council were not taking the climate change matter seriously, as there had been little movement since the initial discussions last year.

Councillor M B Wyatt questioned the reduction in the climate change reserve. He also expressed concern regarding the lack of data available to demonstrate what had been achieved and how much the carbon footprint had been reduced to date. The Portfolio Holder assured Members that Cabinet were in full support of the reduction of the Council's carbon footprint and was disappointed that it had not been possible to achieve more this year. He agreed to highlight the point to Cabinet, as he was keen to see it move forward, especially the vehicle replacement. The Head of Finance clarified that the climate change reserve was a one off fund as part of the carbon reduction agenda and due to the consequential way of budgeting, would naturally move into the mainstream budget, it would not disappear as such, but instead be featured within carbon neutral measures incorporated into the main budget. The Head of Community Services assured Members that there was lots of work being undertaken in relation to carbon reduction but it was still in the early stages as the action plan had only been agreed in March 2020, just before the national lockdown. He informed Members that an officer dedicated to this work was now in post and therefore the matter would start to move forward. He expected a report to be brought to scrutiny with more details by April/May.

In response to a question from Councillor R Johnson, the Head of Finance confirmed that if the new homes bonus assumptions were incorrect, it would make a significant difference to the budget, but that currently the only commitment from government was that the scheme would reduce to legacy-only payments from April next year. She reported that the Chancellor was expected to make an announcement in relation to this later in the month.

In response to a question regarding income from business rates and the effect of Covid-19, the Head of Finance confirmed that there was still growth due to the number of new businesses moving into the District but it was being constantly monitored, as there were risks due to the larger businesses not using their sites in full.

Councillor R Johnson questioned the reduced budget for advertising and asked what the plans were going forward to ensure the community were aware of matters such as planning applications. It was agreed that the information was to be provided by the Finance Team Manager outside of the meeting.

Councillor J Hoult expressed concerns regarding the investment in the installation of electric vehicle charging points around the District as technology was moving forward so quickly, they could be outdated before they were used. The Portfolio Holder took the comment on board and agreed that it needed to be monitored. The Head of Community Services confirmed that it was constantly reviewed.

It was moved by Councillor J Hoult, seconded by Councillor N Smith and by affirmation of the meeting it was

RESOLVED THAT:

The comments made by the Committee on the early budgetary proposals be taken forward as part of the developing 2021/22 budget.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.56 pm

Corporate Scrutiny Committee – WORK PROGRAMME (as at 17/12/20)

Date of Meeting	**Item**	**Lead Officer**	**Witnesses**	**Agenda Item Duration**
10 March 2021				
10 March 2021	2020/21 Quarter 2 & Quarter 3 Performance Reports	Mike Murphy, Head of Human Resources and Organisational Development		
09 June 2021				
9 June 2021	Scrutiny Annual Report	Melanie Long		10 minutes

Agenda Item 5.

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Notice of Executive Key Decisions

The attached notice lists the matters which are likely to be the subject of a key decision by the Council's executive and executive decision making bodies. This notice is produced in accordance with the Constitution adopted by North West Leicestershire District Council and will be published a minimum of 28 days before the date on which a key decision is to be made on behalf of the Council.

Key Decisions

A key decision means a decision taken by the Cabinet, a committee of the Cabinet, an area or joint committee or an individual in connection with the discharge of a function which is the responsibility of the executive and which is likely:

(a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or

(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the Council;

(c) for the purposes of (a) and (b) above £100,000 shall be regarded as significant in terms of expenditure or savings, and any issue which, in the opinion of the Leader is likely to have an impact on people, shall be regarded as significant in terms of impact on communities.

The Council's Executive

The Council's executive committee is the Cabinet. The Cabinet comprises:

Councillor R Blunt	-	Leader	Councillor A Woodman	-	Community Services
Councillor R Ashman	-	Deputy Leader and Planning & Infrastructure	Councillor N J Rushton	-	Corporate
Councillor T Gillard	-	Business and Regeneration	Councillor R D Bayliss	-	Housing, Property & Customer Services

Confidential Items and Private Meetings of the Executive

Whilst the majority of the Cabinet's business at the meetings listed in this notice will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information. This is a formal notice under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of the Cabinet meetings listed in this Forward Plan may be held in private because the agenda and reports for the meeting contain exempt information under Part 1 Schedule 12A to the Local Government Act (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those Items where it is considered that they should be considered in private are identified on the Notice.

Access to Agenda and Related Documents

Documents relating to the matters listed in this notice are available at least 5 clear working days prior to the date of decision as indicated below. Other documents relevant to the matters listed in this notice may be submitted to the decision maker.

If you wish to request or submit a document, or make representation in relation to any issue contained within this notice, please contact Democratic and Support Services on telephone number 01530 454512 or by emailing memberservices@nwleicestershire.gov.uk

Executive Decisions

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Febuary 2021							
General Fund and Special Expenses Revenue Budgets Proposals for 2021/22	Cabinet	Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	General Fund Budget Summary Special Expenses Budget Summary General Fund and Special Expenses Revenue Budgets Proposals for 2021/22	Corporate Scrutiny Committee - 6 January 2021
Housing Revenue Account (HRA) Budget for 2021/22	Cabinet	Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	Housing Revenue Account Budget Summary Housing Revenue Account (HRA) Budget for 2021/22	Corporate Scrutiny Committee - 6 January 2021
2021/22 Capital Strategy and 2021/22 - 2025/26 Capital Programmes	Cabinet	Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	2021/22 Capital Strategy and 2021/22 - 2025/26 Capital Programmes	Corporate Scrutiny Committee - 6 January 2021

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
2021 - 2026 Medium Term Financial Plans	Cabinet	Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	Medium Term Financial Plans 2021 - 2026 Medium Term Financial Plans	Due to the impact of the second lockdown on resources coupled with the Medium Term Financial Plan having recently been considered Scrutiny and Cabinet in September 2020, a revised plan will not be presented to Cabinet or Scrutiny in December or January as part of this year's budget process.
Investment Strategy - Service and Commercial 2021/22	Cabinet	Non-Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	Investment Strategy - Service and Commercial 2021/22	Corporate Scrutiny Committee - 6 January 2021
Treasury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22-2023/24	Cabinet	Key	Public	2 February 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	Treasury Management Strategy Statement Treaury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22-2023/24	Corporate Scrutiny Committee - 6 January 2021

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Freeport Proposition	Cabinet	Key	Public	2 February 2021	Councillor Robert Ashman Tel: 01283 561700 robert.ashman@nwleicestershire.gov.uk Head of Planning and Infrastructure Tel: 01530 454668 chris.elston@nwleicestershire.gov.uk	Freeport Proposition	
Update on Car Park Review	Cabinet	Key	Public	2 February 2021	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Update on Car Park Review	Community Scrutiny Committee - 25 November 2020
Minutes of the Coalville Special Expenses Working Party	Cabinet	Key	Public	2 February 2021	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Minutes of the Coalville Special Expenses Working Party from 15 December 2020 Minutes of the Coalville Special Expenses Working Party	Coalville Special Expenses Working Party - 15 December 2020

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Corporate Disposals Policy	Cabinet	Key	Public	2 February 2021	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Head of Housing Tel: 01530 454780 chris.lambert@nwleicestershire.gov.uk	Report Corporate Disposals Policy	Corporate Scrutiny Committee - 6 January 2021
02 March 2021							
Adoption of Castle Donington conservation area appraisal and boundary review	Cabinet	Key	Public	2 March 2021	Councillor Robert Ashman Tel: 01283 561700 robert.ashman@nwleicestershire.gov.uk Head of Planning and Infrastructure Tel: 01530 454668 chris.elston@nwleicestershire.gov.uk	Draft boundary review and map appendix Draft character appraisal and map appendix Public consultation responses	Not to be considered by a Scrutiny Committee.
Recycle More Year 1 Progress	Cabinet	Key	Public	2 March 2021	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Recycle more update and food waste trial	Community Scrutiny Committee - 10 Febuary 2021

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
The Recovery of our Leisure Centres and the Partnership Contract with Everyone Active	Cabinet	Key	Private Information relating to the financial or business affairs of any particular person (including the authority holding that information)	2 March 2021	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	The Recovery of our Leisure Centres and the Partnership Contract with Everyone Active	Community Scrutiny Committee - 10 Febuary 2020
30 March 2021							
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Non-Key	Public	30 March 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Not to be considered by a Scrutiny Committee.
2020/21 Quarter 2 & Quarter 3 Performance Reports	Cabinet	Key	Public	30 March 2021	Councillor Richard Blunt Tel: 01530 454510 richard.blunt@nwleicestershire.gov.uk Head of Human Resources and Organisational Development Tel: 01530 454518 mike.murphy@nwleicestershire.gov.uk		Corporate Scrutiny Committee - 10 March 2021

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
April 2021							
May 2021							
There are no meetings of the Cabinet scheduled in May							
June 2021							
Corporate Governance Policies - Annual Review	Cabinet	Key	Public	8 June 2021	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Commercial Services Tel: 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk	Review of Corporate Governance Policies	Audit and Governance Committee - 21 April 2021
Minutes of the Coalville Special Expenses Party	Cabinet	Key	Public	8 June 2021	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Minutes of the Coalville Special Expenses Party from 20 April 2021 Minutes of the Coalville Special Expenses Party	Coalville Special Expenses Working Party - 20 April 2021

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**CORPORATE DISPOSAL POLICY**	
Presented by	Chris Lambert Head of Housing	
Background Papers	None	**Public Report:** Yes
Financial Implications	The proposed new consolidated Corporate Disposals Policy will provide a single governance environment to control the disposal of all surplus assets by the Council. This will ensure all disposals take place in a transparent way that maximises the Value For Money return to the Council.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None identified.	
	Signed off by the Deputy Monitoring Officer:	
Staffing and Corporate Implications	None direct staffing or Corporate implications bar those covered in the report.	
	Signed off by the Head of Paid Service: Yes	
Reason agenda item submitted to Scrutiny Committee	To offer Corporate Scrutiny Committee the opportunity to consider and comment upon the proposed Disposal Policy prior to consideration by Cabinet on 2 February 2021	
Recommendations	**THAT THE CORPORATE SCRUTINY COMMITTEE CONSIDER AND COMMENT ON THE CORPORATE DISPOSAL POLICY**	

1. Background

1.1 The Corporate Disposals Policy attached as Appendix 1 to this report has been produced in response to a Capital Accounting internal audit recommendation that we bring together into one document our approach to Disposals of surplus assets.

1.2 Historically the Council have operated separate policies for the disposal of Housing Revenue Account (HRA) and General Fund (GF) land and property assets, despite there being considerable overlap in the processes used to arrive at disposal decisions and subsequently the method of disposal. There is also a need to have a documented policy approach to the disposal of other surplus plant and equipment, so bringing these three areas together in one document will provide a consistent governance framework within which to make these decisions, and make clear the delegated authority thresholds applicable to the various types of disposal activity.

1.3 The aim of the new policy is to provide a single consistent governance framework to ensure that decisions to dispose of assets are made in a comprehensive and consistent way, and that the disposal process is transparent, and maximises income from sales, to deliver a value for money outcome. Funds released from disposals will be available within the Councils overall budget to support reinvestment in alternative assets or to support service provision.

1.4 Corporate Scrutiny Committee are invited to consider the attached Disposals Policy and offer any comments they wish to be considered by Cabinet at their meeting on 2 February 2021.

Policies and other considerations, as appropriate	
Council Priorities:	- Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes
Policy Considerations:	Replaces HRA Disposal Policy (approved 2015), and GF Disposal Policy (approved 2008).
Safeguarding:	None identified
Equalities/Diversity:	No direct implications identified.
Customer Impact:	Provides a fair and transparent policy environment for disposing of surplus assets to ensure public confidence in the Councils approach.
Economic and Social Impact:	Disposal of assets to maximise income provides a source of funding to for investment decisions in services or other assets to promote the priorities of the Council.
Environment and Climate Change:	No direct implications identified
Consultation/Community Engagement:	None
Risks:	Failure to dispose of assets in a consistent and transparent way introduces a risk of not achieving value for money from disposals and/or negative public perception of the Council.
Officer Contact	Chris Lambert Head of Housing chris.lambert@nwleicestershire.gov.uk

Appendix 1

CORPORATE DISPOSAL POLICY 2020

Section 1 - Statement of Purpose

1.1 The purpose of this policy is to establish a clear framework within which North West Leicestershire District Council (the Council) will dispose of its surplus and under-used assets and ensures that requests to purchase Council owned assets are dealt with in a fair, transparent and consistent manner. Such assets will include Housing Revenue Account (HRA) and General Fund (GF) properties and land, IT equipment, general equipment, machinery, tools and vehicles. The disposal policy will be supported by operational procedures, which will give the details of the process of disposing of the respective assets. It replaces all previous policies covering these issues.

1.2 All assets have been acquired to provide a service either as general or specialist needs, housing, business accommodation, public amenity and for use to provide a service i.e. equipment and vehicles used across the Council.

1.3 This policy and procedures contained have been produced to provide officers with clear guidance in one place on the required process to follow when disposing of Council assets.

1.4 For ease of reference this document is broken down into three distinct groupings;

A. Land and property assets disposals (the disposal of major capital assets both HRA and GF)
B. Surplus or obsolete IT equipment
C. General equipment, surplus supplies, machinery and tools

1.5 Although this Policy will normally be followed, there will be occasions where the approach may need to be changed, particularly for larger, more complex land/property disposals or when it is significantly in the financial interest of the Council to do so. In essence, each asset disposal is to be treated on its own merits and nothing in this Policy will bind the Council to a particular course of action in respect of a disposal. Alternative methods of disposal not specifically mentioned in this Policy may be used where appropriate, subject to obtaining the necessary authority, which will normally be via Director delegation or Cabinet where outside of these.

Definitions

1.6 The definition of an asset are as follows:

‘Property” and “Building’ includes part of a building and any structure or part of a structure, but does not include a moveable dwelling or associated structure or part of a moveable dwelling or associated structure.

“Land” includes any land holding of the council, and its associated titles.

‘Machinery’, ‘tools’ and ‘vehicles’ includes any vehicle purchased as the Councils fleet and any machinery and equipment used for council employees to undertake their roles or to maintain or delivery of council services. This includes ICT equipment.

1.7 For the purposes of this Policy, “a disposal” of land & buildings means any freehold, by sale or exchange, of Council owned land/property (including buildings) and any disposal by the granting of a lease or licence for a period greater than 7 years. Leases of 7 years or less or assignment of a term which has not more than 7 years to run are not covered by this Policy, as they are exempt from the statutory requirement to obtain best consideration.

1.8 A disposal of other assets means the sale or gifting of any other holding as set out above.

Section 2 - Land and Property Asset Disposals

Overriding Principles & Approach

2.1 The Council has wide discretion to dispose of its assets in any manner it wishes, subject to the provisions under sections 123 and 127 of the Local Government Act 1972 and section 87-89 of the Localism Act 2011. For some HRA disposals, the secretary of state's permission is required.

2.2 The way the Council manages its land/property assets can have a significant impact both on the quality of services delivered to the public and the local environment. Effective asset management is essential in bringing a flexibility to land and property assets so that the delivery of the Council's goals and objectives are realised in a sustainable manner, at the right time and on budget. This can best be achieved by maintaining an effective and current Asset Management Strategy that in conjunction with this policy should be the main driver in identifying assets for disposal.

2.3 The council holds land and property assets under its General Fund and Housing Revenue Account (HRA). Different and specific rules apply to both sets of holdings, however in general the disposal of surplus property is a good thing where it is surplus to requirements. This can be to free up resources to deliver the Councils wider objectives, or indeed, there may be circumstances in which a disposal is considered the best way to achieve the strategic objectives of the Council itself.

2.4 There are in general less strict rules on the disposal of General Fund assets. In regards to HRA assets, unless there are exceptional circumstances, the Council will only dispose of HRA land or property to increase capital receipts to support the HRA Asset Management Strategy, or if the disposal will benefit one or more of the following:

A. The overall investment in the Council's existing HRA stock and assets to maintain good quality homes;
B. Strategic housing regeneration, development or redevelopment;
C. Investment in new build and/or acquisitions of good quality affordable housing;
D. Environmental improvements to housing estates;
E. Improved provision of housing services and/or delivery of the Council's Housing Strategy;
F. Corporate economic development purposes which benefit Council tenants;
G. Revenue or capital income generation;

2.5 All dealings in the Council's landed assets shall be conducted in accordance with the Local Government Act 1972 and other relevant legislation. Since the 1972 Act, government policy has also introduced the concepts of Community Asset Transfer, community rights in respect of Assets of Community Value, and recognition of the Social Return on investment. The Localism Act 2011 further extends rights and powers for communities and individuals. Any proposed disposals under the terms of this legislation will be completed through the relevant policies and procedures.

2.6 The Council will annually publish details of land/property that it has declared surplus to requirements in compliance with the Local Government Transparency Code 2015.

2.7 The day-to-day process for asset disposal will be via the Asset Management Group (AMG) (or an Officer acting under the delegated authority of that Group) and is required for any disposal of land or property. The AMG is made up of representatives from Legal, property & estates, finance and the Director.

2.8 When considering potential disposals the Group will:

A. Satisfy itself that the land or property in question is either surplus or under-used

AND

B. Have due regard to the presumptions and priorities of the council.

AND

C. Follow the most appropriate legal route to complete the disposal.

2.9 The Council Constitution sets out that the disposal of an asset valued under £30,000 needs approval by the Strategic Director of Housing and Customer Service. Any asset over £30,000 needs Cabinet approval. The only exception is where the asset or disposal has been specifically identified in the annual budget and been previously been approved by Council.

The Means of Identification of Surplus or Under Used Land/Property Assets

2.10 Through the control of the Asset Management Group (AMG), surplus or under-used land/property may be identified as being suitable for disposal by a variety of initiatives including but not limited to:

A. Undertaking an asset management review;

B. The identification of development opportunities;

C. The outcome of a corporate property portfolio review;

D. Following a direct approach from an interested party;

E. Where a disposal has been identified as helping to deliver other Council objectives such the provision of housing in the District;

F. Where management of the land/property is considered suitable for community ownership or has been determined as an ‘asset of community value’.

G. Through declaring certain sites as being surplus to requirements

H. Through approach by a potential purchaser.

2.11 For the HRA, the Asset Management Team Manager will be responsible for completing due diligence on HRA properties.

2.12 Property Services Manager will carry out due diligence on land and commercial/corporate buildings.

2.13 Property Services will action disposals of GF land and properties on behalf of Asset Management Group. The Asset Management Team Manager, in consultation with Property Services will action disposal of HRA property

2.14 Under the Local Government Transparency Code 2015, Councils are required to publish details of all their landholdings (with certain exceptions) at least annually.

2.15 Land and property asset disposal assessment will normally be made with reference to the matrix below. This will not be the exclusive source of justification a disposal decision if circumstances dictate an alternative approach is more economically advantageous.

Weighting	**1**	**2**	**3**	**4**	**5**
Type of Asset	Core Business	Operational	Strategic Holding	Investment	For Disposal
Operational Fit	Excellent	Good	Fair	Poor	Unacceptable
Utilisation	Very High	High	Reasonable	Poor	Unacceptable
Condition	Excellent	Good	Fair	Poor	Unacceptable
Occupation Costs	Economic	Below Average	Average	Above Average	Uneconomic
Best Use Value	Yes	Partly	50/50	No	Inappropriate
Cost of disposal and to vacate	Low	Affordable	Marginal	Unacceptable	Too High
Market Demand	Strong	Good	Marginal	Unlikely	None

2.16 Scoring each property asset against the above criteria will produce a weighting that will identify those properties that it would be most advantageous for the Council to consider for rationalisation – the higher the score, the less compelling the case for retention. Within the context of this process the Council will endeavour to realise, within a reasonable timescale, all surplus land and property identified for disposal within its portfolio subject to the following criteria:

2.17 To ensure that the disposal does not have a negative impact on the Corporate Plan:

A. The terms of any transaction are supported by an independent Valuation.

B. Best financial consideration being obtained unless social, environmental or economic benefits are provided in lieu.

C. The method of disposal will be determined on a case-by-case basis by the Asset Management Group.

D. Any leasehold disposal transfers all liabilities to the tenant (Full Repairing and Insuring) wherever possible.

2.18 Normally, an Officer acting under delegated powers will choose the method of disposal which provides best consideration unless the Asset Management Group authorises the taking into account of other considerations including social, environmental and economic benefits, which best secure the desired objectives/ outcomes for the land and/ or property.

2.19 To support this, an option appraisal will be undertaken to assesses the capital and revenue implications of alternative disposal option that includes the impact of the current economic conditions (e.g. should the asset be held until market conditions improve?) and the taxation implications following advice from the Council's Designated Section 151 Officer or representative.

2.20 In undertaking option appraisals for other than routine or low-value disposals, an officer acting under delegated powers will seek advice from Legal Services and external surveyors and/or a valuer, where deemed necessary, on the type and method of disposal.

Due Diligence

2.21 Through the matrix scoring shown above due diligence will be carried out by classifying each asset prior to any disposal and will include but not limited to:

A. The expected revenue loss from the disposal of the asset for future years

B. A current market valuation

C. The market demand for an asset

D. The capital and revenue costs of an asset

E. The net savings following the disposal

F. The Net Present Value of the asset

G. The cost of disposal and to vacate

H. The legal title of the property

I. Planning and Building Regulation compliance for the existing use and proposed purpose, including the potential designated use in the Local Plan

J. The impact upon Zero Carbon delivery

Disposal Options

2.22 The process for disposing of an assets shall be determined at the time of the decision to dispose being made, and will represent the most economically advantageous option, having regard to costs of disposal and achieving the best return for the Council

A. Open market disposal - through an agent or direct marketing

B. Formal bids - after advertising

C. Auction – online or through auction house

D. Private Treaty Sale - negotiating with a single third party to agree terms for the disposal and will be used where there is only one purchaser.

Section 3 - Disposal, Reuse and Recycling of ICT Equipment

3.1 The procedure for the disposal, reuse and recycling of ICT equipment is to ensure that the Council fully:

A. Complies with current legislation

B. Meets software license obligations

C. Reduces risk of sensitive data being released to unauthorised persons

3.2 The Council and its employees have a responsibility under several EU Directives including the Landfill Directive, the Waste Electronic & Electrical Equipment Directive (WEEE) and the Hazardous Waste Directive to ensure that the final disposal of all waste electronic and electrical equipment is both responsible and traceable. In order to meet this obligation it is the responsibility of the Council. In the event that these regulations are amended or superseded following the completion of the EU Exit process, the new requirements will apply.

3.3 Due to compliance risks associated with inappropriate disposal of electronic equipment, the Council requires items such as desk top PCs, laptops, notepads, tablets etc with data holding capacity to be recorded in the ICT Hardware Inventory and subsequently in the Disposals Inventory when disposed of. This is to record ownership and any subsequent transfer of equipment in order to assist with the traceability of the equipment through the stages of its lifetime and final disposal. It is the responsibility of the ICT Team Manager to maintain the inventories.

Reuse of Surplus IT Equipment within the Council

3.4 All unwanted ICT equipment must be returned to ICT. If unwanted equipment is still useable ICT follows a general policy of internal cascading of surplus equipment within the Council. If no use can be found within the Council for unwanted equipment or it is no longer functioning the ICT may use such equipment for parts.

3.5 ICT equipment must never be disposed of through other general waste routes. It is illegal to mix computer waste with general waste or to landfill untreated computer waste.

3.6 ICT equipment will not be donated to charities unless the disposal company takes on full responsibility for disposal of the equipment because otherwise this puts responsibility and liability on to the Council to ensure that the equipment is kept track of and returned to the Council to ultimately dispose of as it is still legally as being owned by the Council.

3.7 If no use can be found within the Council for unwanted equipment it must be disposed of as follows:

A. The items disposed of must be moved from the ICT Hardware Inventory to the Disposals Inventory with the details of the disposal method, date disposed and authoriser.

B. Data storage must have all software and data removed or must be destroyed

Section 4 - Disposal of General Equipment, Surplus Supplies, Plant, Machinery and Tools

4.1 Assets which are surplus to requirements, redundant or obsolete can be considered for sale if the item is considered to have some use, although not to the Council.

4.2 Plant and equipment should be disposed by one of the following routes detailed below.

A. Auction House sale
B. Online Auction sale (including eBay and Gum Tree)
C. Public notice and process of Sealed Bids (for example, advertisement on the Council's website and/or social media, and/or in local newspaper and management of bidding process)
D. Specialist disposals contractor
E. Donation to Charity

F. Gift to Partner Organisation

4.3 The disposal route selected should be based on an assessment of a likely market and the likelihood that the sale proceeds recovered will outweigh officer time in preparing and advertising the asset for sale.

4.4 The estimated value of an item and subsequent selling price should be established through market research and identification of similar assets of a similar age and condition.

4.5 The decision to dispose of an item of plant or equipment, the fixed sale price (or reserve price) and the route by which the item is disposed should be sought in line with the value of the asset and the council's authorisations limits as set out below.

Value	**Authorisation**
Above £100k	Cabinet
Up to £99,999	Chief Executive or Relevant Director
Up to £49,999	Heads of Service
Up to £24,999	Team Managers

4.6 Items of plant and equipment should be clearly advertised as "sold as seen". For any items where there may be a specific Health and Safety consideration, advice must be sought from the council's Health and Safety Officer.

4.7 Items to be advertised for sale via an online auction site should be referred to Property Services who will manage the sale process.

4.8 Once a sale of an item has been agreed Finance should also be notified for insurance purposes. The relevant Team Manager should ensure that the relevant inventories are updated with the disposal information so that there is an appropriate audit trail regardless of the disposal method chosen.

4.9 All disposal of all other non IT general equipment will be subject to valuation. The value of the item(s) will need to be estimated as accurately as possible to ensure that the correct method of disposal is used. The following methods can be applied to estimate the value of the item(s):

a. By obtaining a quotation or preliminary bid.

b. Previous knowledge and experience.

c. Research (internet, trade publications, other reports).

4.10 It is important to ensure that details such as values, item descriptions etc., are accurately recorded and evidenced to ensure a clear audit trail of the disposal process.

4.11 Once the value of the item(s) for disposal has been estimated, officers need to check this against the conditions set out below.

4.12 Re-Use or Relocation - Assets can be re-used or relocated to other departments or service areas within the council. The items can be advertised through the council's internal bulletin board found on the council's intranet site, Council wide email or where appropriate through raising the awareness of the Corporate Leadership Team.

4.13 As with the disposal of surplus IT equipment, officers must take reasonable steps to ensure that items to be disposed of are disposed of in such a way that the risk to the council is appropriately mitigated. Risks may include:

A. Third party claims (where injury is caused by using the disposed of item).

B. Breaches of legislation

C. Reputational damage (arising from adopting environmentally unfriendly disposal routines).

4.14 Accurate records must be kept documenting asset disposals. In order to demonstrate good practice a record of all asset disposals by any method must be made and should include the following information:

A. Item description including the make, model, serial number, etc.

B. Is an item antique, collectable or a listed building item?

C. Estimated value of item to be disposed including supporting evidence.

D. Method of disposal (auction, recycled etc.).

E. Date of disposal.

F. Reason for disposal (obsolete, broken beyond economical repair)

G. Name of officer authorising disposal.

H. Sale receipts (retained for audit).

4.15 Items to be disposed of may be subject to VAT. Generally, VAT is charged at the standard rate of 20%, however, there are exceptions to this, for example when goods are sold to specific types of organisations. Where applicable the VAT element must be recorded. For further information and advice the Finance team should be contacted.

4.16 All sales of assets should be accompanied by a receipt and a completed Disclaimer. The Disclaimer should be signed and completed by both the council officer and the supplier, with the original being retained by the council and a copy given to the supplier for their records.

4.17 All assets sold or otherwise disposed of must be reported to the Finance team and all income should be paid in to the department's relevant budget code.

4.18 All equipment disposals and sales should follow this approved procedure and look to obtain best consideration:

Estimated Asset Sale Value (£)	Category	Procedure to be followed
0 – 5,000	Value for money	• Relocation to other service areas within NWLDC • Obtain quotes from outside agents. • Sell to staff by means of a sealed bid (the decision to sell to staff should be authorised by the appropriate Head of Service.)
5,000 – 30,000	Verbal quotations	Officers must seek and document at least three competitive quotes from purchasers or by placing a public advertisement.

30,000 – 100,000	Written quotations	All equipment assets that fall into this category must be notified to Head of Finance (Section 151 Officer) and their approval received before quotations are sought.
100,000 and above	Competitive Tender	Where an equipment asset has a value in excess of £100K Cabinet approval will be required and all such disposals must be reported to the Head of Finance in advance of any action been taken to dispose of the asset.

Section 5 - Disposal of Vehicles

5.1 Disposal of vehicles may be due to the item being over their economic life and costing more to maintain. The Transport Manager will make recommendations for replacing the fleet vehicles in accordance with the Fleet Strategy. Council vehicle disposals will be managed by the Transport Manager with a view to maximising the resale value or minimising the whole of life cost of vehicles. Council owned vehicles will normally be disposed through public auction.

Section 6 – Other relevant considerations

6.1 Money Laundering

All transactions related to HRA and GF land and property and all equipment sales should be carried out in accordance with the Council's Anti-Money Laundering Policy.

6.2 Internal and External Audit

Auditable records of all disposals will need to be maintained and accessible by the Council's Internal Audit function and External Audit to verify actions/values and how the authority made the decision to dispose. Any appointment of a third party consultant during any stage of a disposal process must reserve the right of access to their records in relation to the transaction.

The relevant Director must approve any disposal to an Elected Member, Member of Staff, or a close relative of either prior to completion.

6.3 Equality and Diversity

We aim to ensure that our policies and procedures are fair and transparent; and that we work towards achieving balanced and sustainable communities in accordance with our equality and diversity goals.

6.4 Monitoring and Review

This policy will be reviewed on a triannual basis to ensure it continues to be efficient and effective and in line with the Councils strategy and returns on asset values (Net Present Value calculation).

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**DRAFT GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Cabinet 8 December 2020 – Draft Minutes	**Public Report:** Yes
Financial Implications	Financial issues are considered within the appended Cabinet report	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None.	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft General Fund and Special Expenses Revenue Budget for 2021/22.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMEND ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

1. BACKGROUND

1.1 The General Fund and Special Expenses Revenue Budget proposals for 2021/22 were presented to Cabinet for approval for consultation at its meeting on the 8 December 2020.

1.2 The Corporate Scrutiny Committee is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 2 February 2021. Separate reports appear on this agenda covering the Housing Revenue Account Budget proposals and the Council's Capital Programmes.

1.3 Further details are included within the attached Cabinet Report (Appendix 1).

Policies and other considerations, as appropriate	
Council Priorities:	The budget assists the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	The requirement for equalities impact screening and assessments is being reviewed during the consultations and details if required will be provided as part of the management responses.
Customer Impact:	Fees and charges outlined in an Appendix in the attached Cabinet report.
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 8 DECEMBER 2020

Title of Report	**GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2021/22**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Draft Minutes – 11 November 2020	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The Net Revenue Expenditure for 2021/22 is estimated at £15.13 million and the Total Funding available is £15.18 million. The predicted surplus of £49,000 is assumed will be transferred to the Self-Sufficiency Reserve. The reserve would increase from an estimated £5.48 million at 31/03/21 to £5.53 million at 31/03/22. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	None **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	None **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to approve 2021/22 General Fund and Special Expenses revenue budget proposals for consultation.	
Reason for Decision	Required as part of the 2021/22 budget process.	
Recommendations	**CABINET IS RECOMMENDED TO:** **1. AGREE THE 2021/22 GENERAL FUND AND SPECIAL EXPENSES BUDGET PROPOSALS FOR STATUTORY CONSULTATION; AND** **2. THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER BE NOTED.**	

1.0 BACKGROUND

1.1 This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget proposals for 2021/22, with the outcome of this consultation exercise being fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget in February 2021.

1.2 All proposals relate to the Council Delivery Plan and the five key priorities:

- Supporting Coalville to be a more vibrant, family friendly town;
- Our communities are safe, healthy and connected;
- Local people live in high quality, affordable homes;
- Supporting businesses and helping people into local jobs; and
- Developing a clean and green district.

1.3 Since 2018, greater transparency over budget changes from one year to the next has been achieved through the introduction of an 'incremental' approach to setting the annual budget. Alongside the refresh of the Council's Medium Term Financial Strategy in 2018 and introduction of a new bi-annual medium term financial plan review cycle, the Council has been able to attain an improved handle on its financial position, evidenced through the balances now built up in its General Fund and Housing Revenue Accounts.

1.4 The specific principles that have guided service areas in determining their service budget position for the forthcoming year has been as follows:

1. **Established starting point** – The organisation, through its five year revenue planning approach and medium term financial plans already has an established 2021/22 budget which will be the assumed budget and for which only necessary changes will be made.

2. **Fundamental approach** – Changes to the already established 2021/22 budget position will focus only on the fundamentals:

    a) Council Delivery Plan budgets;
    b) Cost pressures that need to be picked up as a result of either increased expenditure or reduced income;
    c) Savings that can be achieved through increased income or reduced expenditure. Specifically, the Finance team will be driving the identification of budgetary savings from across the organisation.

1.5 Revenue proposals have been prepared based on budget holders own projections in respect of expenditure budgets and locally generated income forecasts. Where possible, proposed variations to charges have been detailed in the report in line with the revised Corporate Charging Policy approved by Cabinet in September 2019. For example, the prices for Trade Waste Services have been increased to cover inflation increases to ensure full cost recovery and rental charges for Piper Lifeline customers are proposed to increase in line with CPI as at September 2020.

1.6 Information in respect of funding changes have been developed by the Finance team with reference to the Spending Review and forthcoming provisional Local Government Finance Settlement, Capital Strategy and Treasury Management Strategy as necessary.

1.7 Due to the time constraints associated with developing a budget, proposals are presented in line with best known information, but this is subject to change as further and more detailed work is undertaken to refine proposals and their resultant values in the coming weeks leading up to final budget.

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

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

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

1.9 Given the ongoing pandemic and the impact on staffing resources and ability to plan with certainty over the medium-term, services were not actively encouraged to develop “service developments” for the 2021/22 financial year unless there is a demonstrable payback and improvement of the Council’s financial position.

1.10 The approved 2021/22 budget will undergo regular monitoring and scrutiny during the financial year through quarterly performance monitoring and finance clinics, so that when they arise any variances can be identified at an early stage and remedial action taken to deal with them where necessary.

The impact of COVID-19

1.11 The latest forecast impact of the COVID-19 pandemic reported to Cabinet in September as part of the Review of Medium Term Financial Plan report. The report set out the forecast impact on the Council’s finances to be a net impact of £1.94 million across all council services, with £1.56 million in the General Fund and £383,000 in the Housing Revenue Account (HRA).

1.12 The revised COVID impact forecast at Period 7 on the Council’s finances to be a net impact of £1.37 million across all council services, with £1.15 million in the General Fund and £219,000 in the HRA.

1.13 Since an update was last presented to members in September as part of Quarter 1, additional emergency funding of £164k has been announced. The Council can also expected further New Burdens funding to be granted from central government towards the end of the year. Confirmation has also been received from Ministry for Housing, Communities and Local Government (MHCLG) in respect of the sharing of council tax and business rates losses and the spreading of Collection Fund deficits over three (rather than one) financial years.

1.14 Currently, it is difficult to quantify with any real certainty the likely ongoing impact the COVID-19 pandemic will have on the Council’s revenue income and expenditure throughout the remainder of the 2020/21 and into the new 2021/22 financial year.

1.15 For the 2021/22 budget proposals, estimates have been created on the best available information at the time of producing the budgets in November with regards to the impact that the pandemic will have next year and will be reviewed again in January for any significant changes in assumptions for the final budget. Below is a table that summarises the budget position of three income generating services that have been negatively impacted.

	2020/21 Original Budget	**2020/21 Forecast (Post COVID-19)**	**2021/22 Indicative Budget**	**2021/22 Budget (Post COVID-19)**	**Notes**
Recycling Income	473,930	359,750	483,410	310,680	It is assumed that the value of recycled materials will continue to be impacted due to COVID.
Planning Fee Income	1,140,000	900,000	1,123,100	800,000	it is estimated that 75% (£225,000) of the reduction is due to COVID
Car Parking Income	366,810	99.205	366,810	188,860	It is estimated that £48,000 is due to change of is due to reduce demand for car parking as habits have changed since the start of the pandemic.

1.16 Within the current year, the Council has already received forms of financial support from MHCLG in the form of emergency funding, and income compensation and a commitment to spread the collection fund deficit arising on council tax and business rates over the following three financial years, instead of the standard one following financial year.

1.17 As part of the Spending Review announcements on 25 November, the Chancellor confirmed that further emergency funding support would be provided into the 2021/22 financial year. In addition, the government committed to the funding of up to 75% of irrecoverable council tax and business rates losses in respect of the 2020/21 financial year (through the collection fund) and a continuation of the income compensation scheme for the first quarter of 2021/22.

1.18 The value of financial support the Council can expect to receive in 2021/22 in respect of COVID-19 is yet to be confirmed, however, based on the announcements assumed budgetary values have been included in this draft budget – more detail can be found in paragraph 6.7.

Fiscal Policy

1.19 In a regular fiscal policy cycle, central government would ordinarily deliver the annual budget in autumn and publish its spending review shortly afterwards. The Provisional Local Government Finance Settlement (LGFS) would then be published sometime before mid-December for consultation, with the final published in the January/February. This Provisional LGFS confirms the council's funding position for its General Fund.

1.20 On 25 November, the Chancellor of the Exchequer set out what the government will spend in 2021/22 through the Spending Review. In it the Chancellor confirmed that the 'one-year roll forward Spending Review' will actually deliver an increase in core spending power of 4.5% - the majority of which will come from greater council tax flexibilities.

1.21 Of the headlines, the most significant for the Council is the news that an additional years' bonus payment would be made under the New Homes Bonus payment scheme – more detail can be found around the effect of this below.

1.22 Other headlines confirmed were:

- Revenue Support Grant will be increased with inflation. NWL has not received RSG since 2018/19 and actually due to go into negative RSG this year but it was eliminated – we will need to await the settlement for confirmation of whether this will be eliminated again next year.
- There will be a continuation, in part, of COVID funding - Local government will receive around £3bn additional funding for COVID in 2021-22.
- Further £254m funding to tackle homelessness and rough sleeping (of which £103m has already been announced).
- A fundamental review of the Business Rates Retention System will report in Spring 2021. There will not be a reset of the business rates baseline in 2021-22.

1.23 As was the case for the previous year, we anticipate that funding for the General Fund will remain consistent with the current financial year, subject to the fluctuations I respect of COVID-19 and we now await the publication of Provisional LGFS towards the end of December 2020.

1.24 The Draft budget also presents a pay award assumption for it's own staff that aligns with the proposals set out by the Chancellor in respect of public sector workers – this includes a pay award for staff earning below £24,000 at a minimum of £250.00, with a pay freeze for those earning above £24,000.

Journey to Self-Sufficiency (J2SS) Programme

1.25 As detailed within the budget report presented to Council in February 2020, J2SS work stream saving targets were built into the council's revenue budgets as follows:

Work Stream	2020/21	2021/22-2024/24	Total MTFP
	£'000	£'000	£'000
Commercial	170	680	850
Contract Management	100	800	900
Use of Assets	200	1,600	1,800
Transformational	25	550	575
Finance	50	650	700
Shared Services	25	250	275
Total	**570**	**4,530**	**5,100**

1.26 Of the savings budgeted, the forecast for the 2020/21 year has reduced to £56k against a £570k budget for the General Fund and to nil against a £225k budget for the HRA. This was due to the work on the programme being halted in reaction to the demands of the COVID-19 pandemic.

1.27 As part of this draft budget, it is planned for original 5 year savings plan to be 'rebased' with 2021/22 as year 1.

1.28 The Corporate Leadership Team have also reviewed the programme to reflect the current operating environment, resource constraints and deliverability of commercial savings built into the programme. Recently, we have received strengthened messages from Central Government around Council's acting commercially, the most recent of which have included confirmed changes to lending conditions from the Public Works and Loans Board in respect of 'debt for yield' purposes. Combined with the change in commercial landscape as a result of COVID-19, it has been concluded that the organisation will need to focus more closely on its use of resources to deliver services in order to deliver savings and an ongoing sustainable financial position. This will necessitate a redesign of the J2SS programme.

1.29 To support the redesign and launch of the programme in the new financial year, Cabinet has already agreed for £100k to be set aside from the self-sufficiency reserve for the purposes of engaging external expertise to assist in the delivery of savings from 2021 to 2023.

1.30 Work to engage support is already underway and it is planned for an agreed mobilisation plan will be available by the end of the financial year, with the new plan mobilised and inflight by April 2021.

1.31 We will have a phased approach to reaching the savings gain, with a view to budgetary cuts in cumulative subsequent cycles to meet the burning platform.

2.0 GENERAL FUND 2020/21 – PROJECTED OUTTURN

2.1 As at Period 7, the forecast position on the General Fund for 2020/21 is a deficit for the year of £690,000, compared to a budgeted surplus of £630,000. There has been adverse variances due to COVID of £1.15 million (net of emergency funding) and non-COVID variances of £171,000. Explanation of the significant variances (over £50,000) are detailed below:

COVID Variances:

a) Emergency grant funding of £1.36 million (plus £42,000 in 2019/20) has been received from Government for the COVID-19 Local Support Grant and £130,000 New Burdens Funding;
b) Additional ICT costs in relation to equipment and licences of £122,000 to enable home working for all council employees;
c) Reduction in income of £941,000 in relation to Grounds Maintenance, Recycling Income, Coalville Market, Pay and Display Income, Planning Fees, Summons and Investment Income. It is forecasted that £370,000 (£159,000 has been received) of these losses will be covered by the Government's Income Compensation Scheme, whereby compensation is received for 75% of losses for eligible income losses after deducting 5% of the budgeted amount;
d) £517,000 of the budgeted £570,000 of Journey to Self Sufficiency savings will not be achieved as responding to the pandemic diverted resources away from this important corporate programme;
e) Additional costs to deliver the refuse and recycling service in line with COVID restrictions of £441,000 in additional staffing and agency costs and £100,000 for hiring of additional costs to allow social distancing, offset against fuel savings due to the drop in the price of oil of £74,000;
f) £466,000 of additional support to Everyone Active;
g) £142,000 additional premises costs for alternations, security and additional cleaning;
h) £85,000 support to Parish Councils;
i) £95,000 on additional communications with residents;
j) £218,000 in additional staffing costs for the community hub and administering the business support grants; and
k) Savings of £212,000 of the repairs on maintenance budget for the council properties as the work has been able to be completed.

Other (non-COVID) Variances:

a) Increase in the Leisure management fee of £116,000; due to the 1 year delay in the construction of the new leisure centre.
b) £110,000 of savings identified through a targeted review of key budget lines;
c) £75,000 of savings within the planning team as a result of the delay in HS2 and reduction in appeals.

2.2 It is anticipated that there will be an impact to the Council's share of business rates and council tax due in 2020/21, however the impact on local taxation is much more difficult to assess. Although we anticipate a reduction in the amounts we will receive for the year, this does not in itself amount to a shortfall of income as sums charged remain due and can be collected long after the year ends. Due to the nature of accounting arrangements, any amounts not collected will not hit the accounts in the current year and instead will be reflected as a charge against the 'Collection Fund', which is usually in the following year, however Government have enacted new regulations which allows the losses to be spread over three years.

3.0 CONSULTATION WITH CORPORATE SCRUTINY

3.1 As introduced last year as part of the 2020/21 budget setting process, a report was taken to the Corporate Scrutiny on the 11 November 2020 to seek feedback on early budget proposals. This was designed to enhance member scrutiny of the proposed budget changes for the forthcoming year, and also provide members with an opportunity to feed suggestions into the process.

3.2 A link to the draft minutes is provided in the background papers on page one of the report. Amongst other comments made, a suggestion was made by a Member of the Committee to include an amount with the budget for installation of better cameras to assist in the detection of fly-tipping. It was agreed to take this suggestion to Cabinet and £15,000 has been incorporated into the draft budget. Further details are available in paragraph 4.6.3.

4.0 2021/22 NET REVENUE EXPENDITURE PROPOSALS

4.1 For 2021/22, there has been a reduction in net revenue expenditure of £85,000. The main reasons for this decrease are a combination of factors made up of a number of budgetary pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure).

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

4.2.1 Savings Challenge –In total, the budget holders put forward proposals with a combined value of £1.9 million saving and more detail is included in paragraph 4.4 below.

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4.2.2 De-minimums budget movements across the General Fund which totalled additional costs of £133,000.

4.2.3 Staffing increases - which include the cost of the pay award (for salaries below £24,000), pension increases and incremental salary progression for 2021/22. The additional cost of staffing is £255,000.

4.2.4 Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures. The total of these is £1.46 million and more detail is included in paragraph 4.5 below.

4.2.5 Service Development - Proposed additional budget provision to cover enhancement of the service. The total value of service development proposals is £300,000. Details of these proposals are covered in paragraph 4.6 below.

4.2.6 J2SS - Reduction in Net Revenue Expenditure – As reported in paragraph 1.23, the anticipated savings in 2020/21 have not been achieved due to the council responding to the pandemic, the J2SS programme was placed on hold. The programme was a five year plan of increased savings year on year and it has therefore proposed that the savings programme restarts from year 1 in 2021/22. The target for 2021/22 is therefore £570,000.

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

Savings

4.4 For information the following paragraphs explain savings that will be built into the 2021/22 budget.

4.4.1 We will reduce the following budgets are these were one-off budget requirements in 2020/21:-

- Development Corporation - £100,000
- Climate Change Reserve - £885,000
- Revenue Contribution to Capital (Off-Street Electric Charging Points) - £115,000
- Pension – Additional Voluntary Contribution - £153,000
- Leisure Services – Hermitage Recreation Ground Feasibility Study - £50,000
- Business Focus – Grants - £29,000
- Cultural Services – Timber Festival - £10,000
- Finance System Implementation - £50,000

4.4.2 We will increase the income budget by £7,000 for the houses in multiple occupation as there are additional licences due for renewal next year. The budget fluctuates year on year.

4.4.3 We need to reduce the contractor/client budget by £90,000 in relation to the management fee payable to Everyone Active due to the one year delay in the building of the new Coalville and Whitwick Leisure Centre. As per the contract with Everyone Active, the management fee decreases each year and then we will start receiving a management fee.

4.4.4 We will remove the £30,000 budget for the Supporting Families Grant to Leicestershire County Council as they have stated that they no longer require a contribution from the council.

4.4.5 We plan to make the following savings within the Planning Service by reducing the following budgets by:

- £10,000 for the Strategic Growth Plan for 2021/22 to reflect the revised timetable for pulling together the plan.
- £12,000 advertising budget to reflect the savings in the contract and demand.
- £50,000 for the technical support budget due to it being underspent in previous years. The budget is very dependent on the number of appeals and the amount of technical support required.
- £25,000 for the planning support budget in relation to HS2 due to national delays of the project which means the council's expenditure has been re-profiled.

4.4.6 We will reduce the agency budget for the Internal Audit service by £8,000 as it is only required every five years to undertake an external service review.

4.4.7 We have reduced the expenditure by £14,000 on homelessness grants to reflect the current forecast grants to be provided to other organisations to reduce homelessness in the district,

4.4.8 We will make a £15,000 saving in relation to staffing in Customer Services. A position has become vacant within the team and a decision has been made to offer up the salary costs as a saving, without impacting on the service to customers.

4.4.9 We will make net savings in Housing Benefits of £100,000. There will be savings of £20,000 for rent allowances and £123,000 for rent rebates offset against additional costs of £43,000 for Bed and Breakfast payments. We will also increase the funding budget by £23,000 as we are expecting to receive additional HB Subsidy Grant next year.

4.4.10 We will reduce the Localisation of Council Tax Support by £41,000 to reflect the decision made as part of the 2020/21 budget setting, to phase out the support to Special Expenses over the next four years.

4.4.11 We will reduce the Market Towns Support Programme budget by £5,000. Reduced funding required for 2021/22 to assist start-up businesses and encourage young people to become market traders and put themselves forward for the Young Trader Awards We will be working towards self-sufficiency, and therefore will be reducing the budget by £5,000 for the next four years.

4.4.12 Additional recharges to the Housing Revenue Account and Special Expenses will generate a saving to the General Fund of £78,000.

Cost Pressures

4.5 For information, the following paragraphs explain areas where we will need to increase budgetary provision in order to absorb cost pressures.

4.5.1 We need to increase the fleet budget by £25,000 to cover forecast additional costs in relation to parts, overtime, servicing and labour as vehicles are being retained for longer whilst the council investigated lower carbon options for refuse fleet.

4.5.2 There will be an increase of £9,000 in relation to CCTV surveillance monitoring and staffing as the council is due to go out to tender for a new contract. It is expected that the cost of the new contract will be higher than the current budget due in increases in staffing costs.

4.5.3 We need to increase the budget for contractor payments for pest control by £9,000 due to increased demand for the service, which is a continuation of the upward trend in 2020/21.

4.5.4 We will reduce our planning fee income by £300,000 as result of anticipated lower levels of planning applications due to the economic climate and the knock-on effect of the coronavirus pandemic.

4.5.5 We will reduce the budget for legal fee income by £40,000 following a downward trend in income collected over the last couple of years. The legal income budget for 19/20 and 20/21 was £130,000 per year. This figure was not achieved due to staffing challenges in the legal team and high earning legal commissions coming to an end, most notably the provision of legal support to two local authorities (who managed to recruit to their vacant posts) and some Further Education colleges postponing project work in 2020. A more realistic budget of £90,000 is being proposed for 2021/22. The new Legal Team Manager will take up her post in December 2020, creating and maintaining external legal income will be a priority are of work.

4.5.6 We need to increase the district elections budget by £15,000 to ensure that there is sufficient budget available for the next district election in 2023/24.

4.5.7 There will be an additional contribution of £18,000 to Hinckley and Bosworth Borough Council for the Revenues and Benefits Partnership due to additional staffing costs incurred in the normal cyclical course of business (pay award and increments) and inflation.

4.5.8 We will enhance our endpoint security by spending £10,000. We will use this to invest in improved anti-virus, anti-malware, anti-spyware and anti-ransomware licences to protect the organisation. £15,000 is also needed for the support and maintenance of Skype for Business.

4.5.9 We need to invest an additional one-off £20,000 in the general repairs budget at the Courtyard as the metal roof requires resealing and coating.

4.5.10 We need to create a provision of £75,000 for the forecast increase in the bad debt provision as we are expecting the level of bad debts to increase following the fallout of the pandemic.

4.5.11 Over the past five years, the number of properties has grown by nearly 4,000 across the district. A review of vehicle routes has recently been carried out to establish their best deployment and to include projected housing growth for the next two years. To meet the increased demand and run the services efficiently, two new rounds are required meaning additional staffing resource of £246,000 is now required in order to meet this need.

4.5.12 Reduction of recycling income of £163,000 due to the price of plastic materials plummeting. Due to oil prices being so cheap, virgin plastic is cheaper to manufacture rather than using recycled plastic. There has also been a delay in the Government's Waste & Recycling Strategy due to COVID, which will mean in future producers will have to include a percentage of recyclable materials in any new products and companies will have to pay towards disposal costs.

4.5.13 Reduction of car parking income of £64,000, of which £48,000 is due to reduced demand for car parking as habits have changed since the start of the pandemic and £16,000 for the parking income in Coalville due to the new owners of the three sold car parks offering two hours free.

4.5.14 Reduction in income for the Community Leisure Scheme of £9,000. This was a recharge to Newbridge High School for a Community Leisure Manager to support them with the management of their 3G pitch and sports hall. Due to financial pressures created by COVID, the school have decided to manage the facilities solely themselves.

4.5.15 Reduction in Castle Donington Community College income of £6,000. A number of income generating areas have been removed by the school for exam use now they are a through school. In addition, fitness room income continues to reduce due to poor facilities. The fitness room facilities are in the process of being upgraded which will should see a future increase in income.

4.5.16 We are still reviewing the investment income for 2021/22, included within the budget is a reduction of £185,000 to reflect the collapse in interest rates. Interest rates and how much cash we have to invest affect how much investment income we receive. We are still finalising the council's capital programmes, so the amount of cash we have to invest going forward is yet to be confirmed. We are also continuously assessing the interest rate market, so the return we expect to receive for the cash invested may change.

4.5.17 The council will see an increase in its net financing costs for 2021/22 as a result of an increase in value of its capital programme funded through unsupported borrowing. Any capital items funded by ‘unsupported borrowing’ will incur a minimum revenue provision (MRP) charge where funds are to be set aside from revenue in line with statutory provisions. The increase in net financing costs for the 2021/22 year is £253,000. The majority of the reason for the increase is due to the assumed expenditure on the new leisure facility.

Service Developments

4.6 Below are the proposed service developments to cover enhancements to services:

4.6.1 **We will continue with the food waste pilots in Measham and Coalville and to prepare for a full rollout across the district in 2022/23.** Due to the pandemic the initial food waste trial was put on hold and has therefore not able to be completed as planned during 2020/21. The revenue impact is still in the process of being calculated but will cover the hire of vehicles, fuel and staffing costs. In order to prepare for a full rollout of the food waste recycling, there will also be a number of one-off costs in relation to purchase and delivery of the food storage caddies, route optimisation and system interrogation. Before costs are incurred on the full rollout, a decision will be made by Members to extend the food waste across the district. The budget requirement has been calculated as £173,000 for 2021/22.

4.6.2 **We will invest £5,000 in a Graduate trainee in the health and wellbeing team**. We plan to invest further in graduate trainees in the health and wellbeing team. We currently have one trainee that is currently part funded by external contributions. The proposal is to continue recruiting a trainee each year on a 19 month contract subject to the continuation of part funding by Leicestershire and Rutland Sport (LRS). The budget requirement varies each year between £5,000 -£20,000.

4.6.3 **We plan to invest £15,000 in additional improved camera equipment.** A suggestion was made by a member of the Corporate Scrutiny Committee to include an amount with the budget for installation of better cameras to assist in the detection of fly-tipping. It was agreed to take this suggestion to Cabinet and £15,000 has been incorporated into the draft budget. The equipment will be used to investigate fly tipping as well as other environmental crimes. The investment will provide improved equipment infrastructure and deliver additional targeted campaigns.

4.6.4 **We plan to spend an additional £19,000 on Air Quality Monitoring.** A review of the delivery of the air quality service has been undertaken. The review looked at all aspects of statutory, proactive and collaborative work with Public Health and identified some recommendations. In order to deliver the additional work contained within the air quality delivery plan, additional budget of £19,000 is required in 2021/22, reducing to £16,000 in 2022/23 and £3,000 2023/24 onwards. There is a separate ‘Air Quality Update’ report on the same agenda as this report detailing what the investment will deliver.

4.6.5 **We plan to invest £35,000 in regeneration and development.** This additional funding is to provide a resource to work with specialist consultants to continue the delivery of regeneration and development projects that contribute to the Building Confidence in Coalville Project.

4.6.6 **We plan to invest £32,000 for a new temporary Projects and Transformational Manager.** The post will be responsible for management of the Customer Experience Team and providing project management support to the Journey to Self Sufficiency (J2SS) programme.

5.0 FEES AND CHARGES

5.1 The council provides a wide range of services to local residents, businesses and visitors and generates local income as a result. Local income generation, when done in the right way, presents the council with an opportunity to maximise its financial position and an opportunity to reduce its reliance on government grant. In addition, charging for services can also present opportunities to achieve the council's corporate priorities.

5.2 Appendix B provides a comparison of 2020/21 and 2021/22 Fees and Charges for those fees that are proposed to change.

6.0 2021/22 FUNDING

6.1 As detailed above, the funding for the council's General Fund is dependent upon the provisional LGFS. The assumptions used to determine funding for next year as part of this draft budget have been based on the Spending Review announcements made on 25 November 2020 and remain to be confirmed as part of the provisional LGFS.

6.2 For 2021/22, there is an estimated indicative decrease in total funding of £667,000.

6.3 The Local Authorities (Collection Fund Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations allow the 'repayment of collection fund deficits arising in 2020/21, to be spread over the next three years rather than the usual period of a year, giving councils breathing space when setting the 2021/22 budget. The key elements of the phasing scheme applies separately to each of the council tax and non-domestic rates collection fund balances. The regulations affect the Council Tax and non-domestic rates estimated collection fund surpluses and deficits in financial years 2021/22, 2022/23 and 2023/24.

6.4 Forecast Business Rates income for 2021/22 has been estimated based on the Period 7 performance of Business Rates plus assumptions around the anticipated level of growth in the district based on an assessment of commercial developments underway. The Council will submit its final projections of Business Rates for 2021/22 to the Government at the end of January 2021 and this information will be used to determine the final budget position for 2021/22 which will be presented in the final budget in February 2021. Due to the way Business Rates is accounted for, there will be a significant surplus on the current 2020/21 year that will need to be carried forward into 2021/22 to offset the impact of the deficit that would otherwise occur – this is shown in Appendix C as "Business Rates Reserve". As such, the current anticipated level of budgeted business rates funding for the Council next year is £7.18 million and is made up of budgeted business rates income and the transference of a business rates reserve (reflecting the surplus in 2020/21).

6.5 The Council is not planning to increase the District's share of Council Tax in 2021/22. This will be the twelfth year without an increase. The net income foregone by not increasing council tax for 2021/22 from its 2020/21 level is £109,000. The cumulative loss of income as a result of this policy from 2010/11 to 2021/22 will be £12.9 million and the cumulative average saving to residents of £414 over the twelve 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 2021/22 and a non-collection of 2%. This has resulted in an increase of £26,000, from £5.48 million to £5.51 million for the 2021/22 year. The Council Tax Base for 2021/22 is due to be approved by members at its Cabinet meeting in January. Therefore, as is the case with Business Rates, the Council Tax budget will be confirmed in the final budget presented to Council in February 2021.

6.6 The Council Tax Collection Fund is monitored throughout the year and the forecast deficit will be spread over three years as allowed by new regulations as detailed in 6.3 above. The budget for 2021/22 has reduced from a budgeted surplus position of £66,000 to a deficit of £64,000, which is 50% of the estimated deficit. There will also be deficits of £40,000 in 2022/23 and 2023/24. The step-change in anticipated Collection Fund surplus to a deficit position is a result of the increase in arrears due to the impact of the pandemic on collection funds and lower than expected housing growth.

6.7 The level of New Homes Bonus payment to be received in 2021/22 is based on committed historical legacy payments in respect of 2018/19 and 2019/20, plus a new bonus payment for 2021/22 only, in line with the latest position from government as part of the Spending Review. The total level of bonus funding assumed for next year is therefore £2.547m.

6.8 As part of the Spending Review the Chancellor announced that there would be additional financial support provided to Local Authorities in the form of COVID-19 emergency funding, sales, fees and charges income compensation for the first quarter of 2021/22 and 75% support for irrecoverable business rates and council tax losses. Whilst finance officers await the detail, amounts received with reference to the total level of sector support confirmed for 2021/22 have been used to estimate the likely funding the Council may expect to receive. As such an additional £283,000 in emergency funding has been assumed alongside a further £50,000 in income compensation. At this stage, the draft budget doesn’t include an assumption around the sharing of council tax and business rate losses as more detail around how the loss sharing scheme will work is needed.

7.0 2021/22 DRAFT BUDGET POSITION

7.1 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed above, the predicted surplus of £49,000 is assumed will be transferred to the Self-Sufficiency Reserve. The reserve would increase from an estimated £5.48 million at 31/03/21 to £5.53 million at 31/03/22.

7.2 The draft Budget Summary for 2021/22 can be found at Appendix C.

8.0 SPECIAL EXPENSES

8.1 The forecast outturn for 2020/21 Special Expenses forecast outturn is £608,000 net expenditure, compared to the budget of £667,000. 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 of a surplus of £23,000 will be a contribution to reserves be funded through reserves, compared to the budgeted deficit of £35,000 (that was planned to be funded through reserves).

8.2 The council tax in relation to Special Expenses has been calculated to phase out the Localisation of Council Tax Support Grant over four years commencing in 2021/22 and to provide sufficient funding to cover current deficits and future planned maintenance. The increases in the council tax for Special Expense areas are detailed below:

	20/21	Increase	21/22
Coalville	£67.72	£5.79	£73.51
Whitwick	£8.03	£0.66	£8.69
Hugglescote	£18.45	£0.00	£18.45
Coleorton	£7.21	£1.95	£9.16
Lockington & Hemington	£9.42	£2.48	£11.90
Measham	£1.40	£0.33	£1.73
Oakthorpe & Donisthorpe	£4.38	£0.75	£5.13
Osgathorpe	£1.78	£0.00	£1.78
Ravenstone with Snibston	£0.66	£0.37	£1.03
Stretton-en-le-Field	£61.76	£4.65	£66.41
Appleby Magna	£4.74	£1.30	£6.04

8.3 To enable consultation, a draft budget requirement has been produced on an indicative Council Tax Base and is available at Appendix D. The budgeted net expenditure for 2021/22 is estimated £684,000 and the total funding available is £616,000. The predicted deficit of £69,000 will be a contribution from reserves.

8.4 The Coalville Special Expenses Working Party will be consulted on the 15 December 2020 in relation to the increase in Council Tax for Coalville. It should be noted that these will likely change once the council tax base has been set and a final position will be shared in February 2020.

9.0 CONSULTATION

9.1 The Council will undertake a consultation on the proposed budget provision, its proposed Council Tax freeze for 2021/22 and proposed special expense precept increase for 2021/22. Consultation is required within the business community, through the North West Leicestershire Chamber of Commerce, in compliance with the Non-Domestic Ratepayers (Consultation) Regulations 1992. There will also be consultations with Staff, Unions and Town and Parish Councils.

9.2 Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available via the Council's website for comment. The draft budget will also be presented to the Corporate Scrutiny Committee on 6 January 2021 for final comments before the final budget is presented to Cabinet and Council in February 2021 for approval.

10.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

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

10.2 The Section 151 Officer considers that the estimates which form the draft General Fund budget are robust and prudent, and the proposals are deliverable for 2021/22.

10.3 The Section 151 Officer also considers that the overall level of General Fund reserves is adequate for 2021/22.

10.4 The Section 151 Officer also 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 – this is particularly pertinent going into 2021/22 with the additional expenditure pressures in respect of waste services.

10.5 It is widely understood that in the future, all local authorities will have face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates) are introduced – particularly against the backdrop of recovering from the impact of COVID-19. The Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the government's departmental multi-year Spending Review (which has been delayed a further year) and the redesign of the national Business Rates Retention System. The council's current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of funding in light of these government-led reviews.

10.6 The updated MTFP (presented to Cabinet on 29 September 2020), presents a total deficit between 2020/21 and 2024/25 of £5.3 million, largely as a result of £4.6m targets set in relation to the Journey to Self Sufficiency Programme being absorbed in plans. Therefore there remains a risk that these savings are not delivered and the deficit increases. The MTFP will be updated along with the final budget in February 2021 and reported to Cabinet and Council.

10.7 By March 2022, the Council's Self-Sufficiency reserve is forecast to stand at £5.53 million, subject to funding future commercial initiatives presented to Cabinet for approval.

Policies and other considerations, as appropriate	
Council Priorities:	The budget assists the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The requirement for equalities impact screening and assessments is being reviewed during the consultations and details if required will be provided as part of the management responses.
Customer Impact:	Fees and Charges as outlined in Appendix B
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix A

Budget Proposals

Savings Proposals (reduced expenditure/additional income)

Proposal Title	Amount	One-off / Ongoing
Development Corporation – one-off budget requirement in 2020/21	-£100,000	Ongoing
Audit- reduction in agency budget	-£8,250	Ongoing
Hermitage Recreation Ground - one-off budget requirement in 2020/21	-£50,000	Ongoing
Leisure – reduction in the contractor/client payments	-£90,340	Ongoing
Environmental Protection – increase in income for houses in multiple occupation licences	-£7,370	One-off
Environmental Protection – Market Towns Support Programme	-£5,000	Ongoing
Safer and Stronger – removal of the budget for the support families grant	-£30,000	Ongoing
Planning Policy – reduction in the strategic growth plan budget	-£10,000	One-off
Planning and Development – reduction in the advertising budget	-£12,500	Ongoing
Planning and Development – reduction in technical support budget	-£50,000	Ongoing
Planning Support – reduction in the HS2 support budget	-£25,000	One-off
Business Focus – Grants - one-off budget requirement in 2020/21	-£29,160	Ongoing
Cultural Services – Timber Festival - one-off budget requirement in 2020/21	-£10,000	Ongoing
Strategic Housing – reduction in the homelessness grant expenditure	-£14,090	Ongoing
Customer Services – savings in relation to staffing	-£15,270	Ongoing
Revenues & Benefits – additional funding in relation to HB Subsidy Grant	-£22,830	Ongoing
Revenues & Benefits – net saving in housing benefit	-£99,560	Ongoing
Finance System Implementation - one-off budget requirement in 2020/21	-£50,000	Ongoing
Climate Change Reserve - one-off budget requirement in 2020/21	-£885,000	Ongoing
Localisation of Council Tax Support Grant – reduce in the support grants to parishes	-£41,069	Ongoing
Revenue Contribution to Capital - one-off budget requirement in 2020/21	-£115,000	Ongoing

Proposal Title	Amount	**One-off / Ongoing**
Recharges to HRA – increases	-£78,173	Ongoing
Pension Additional Contribution - one-off budget requirement in 2020/21	-£153,325	Ongoing
Total	**-£1,901,937**	

Proposals to cover Cost Pressures (additional expenditure/reduced income)

Proposal Title	**Amount**	**One-off / Ongoing**
Legal – reduction in legal fee income	£40,500	Ongoing
Democratic Services – District Elections	£15,500	Ongoing
Refuse and Recycling – Staffing	£245,740	Ongoing
Refuse and Recycling – reduction in recycling Income	£163,250	Ongoing
Fleet – additional expenditure for parts, overtime, servicing and labour	£24,540	One-off
Community Leisure – reduction in Castle Donington College income	£5,940	One-off
Community Leisure – reduction in income for Newbridge High School	£9,270	Ongoing
Environmental Protection – reduction in car parking income	£64,340	Ongoing
Environmental Health – increase in contractor payments in relation to pest control.	£9,000	Ongoing
Safer & Stronger – increase in contractor payments in relation to the CCTV contract	£9,290	Ongoing
Planning and Development – reduction in planning fee income	£300,000	Ongoing
Property Services – general repairs at the Courtyard	£20,000	One-off
Revenues and Benefits – additional partnership payments in relation to staffing	£17,730	Ongoing
ICT – create a budget for support and maintenance for Skype for business	£15,450	Ongoing
ICT – enhancing endpoint security	£9,500	Ongoing
Miscellaneous Finance – increase in the bad debt provision	£75,000	Ongoing

Proposal Title	Amount	One-off / Ongoing
Investment Income	£184,925	Ongoing
Minimum Revenue Provision	£252,744	Ongoing
Total	**£1,462,719**	

Service Development Proposals

Proposal Title	Amount	One-off / Ongoing
Human Resources – FLM Standby Payments	£20,000	Ongoing
Waste Services – continuation of Food Waste trial	£173,140	Ongoing
Environmental Protection – improved cameras for fly-tipping surveillance	£15,000	Ongoing
Leisure – continuation of the Health & Wellbeing Graduate trainee post	£5,050	Ongoing
Environmental Protection – Air Quality	£19,000	Ongoing
Business Focus – Coalville Regeneration	£35,000	Ongoing
Customer Services – new temporary post within the Customer Experience team	£32,350	One-off
Total	**£299,540**	

Other Changes affecting the net cost of services

Proposal Title	Amount	One-off / Ongoing
Staffing increases as a result of: increments, pay award (below £24,000), pension increase and other staffing increases (overtime, vacancies and change of hours)	£254,580	Ongoing
Local Support and Income Compensation Grants	£330,000	One-off
De minimus budgetary changes (below £5k)	£133,040	Ongoing/ One-off
Total	**£717,620**	

Funding

Proposal Title	Amount	One-off / Ongoing
Reduction in New Homes Bonus	£863,027	Ongoing
Reduction in the Council Tax Surplus	£130,159	Ongoing
Council Tax as a result of growth in homes in the district	-£26,325	Ongoing
Reduction in Business Rates	£3,199,709	Ongoing
Business Rates Reserve	-£3,500,000	One-off
Total	**£666.570**	

APPENDIX B

COMPARISON OF 2020/21 AND 2021/22 FEES AND CHARGES								
	2020/21		2021/22				Basis for Change	Charging Policy
Chargeable Service	Budget 2020/21	Notes	Estimates 2021/22	Increase/ (Decrease)	Percentage Change	Notes		
Appleby Magna Caravan Site Rent	£8,590	Rent: £35.03pw	£8,630	£40	0.50%	£35.20 per week from April 2020 on anniversary of individual rental agreement, an increase of 17p per week from 5 remaining residents	Proposed to increase costs by September 2020 CPI for 21/22	Business Development
Lifelines for private customers	£125,000	£4.19pw Basic; £6.31pw Enhanced. 2.6% increase will also apply to all sensors	£129,830	£4,830	0.50%	£4.21pw Basic; £6.34pw Enhanced. 0.5% increase will also apply to all sensors	Proposed to increase charges by September 2020 CPI for 21/22.	Service development
Environmental Health – Licensing	£270,950	Fee varies between £3 and £64,000	£268,870	(£2,080)	Between 0% - 11.67%	Fee varies between £3 and £64,000	Reduction in demand	Subsidised / Full Cost Recovery
Environmental Health – Health & Safety	£29,310	Fee varies between £4 and £145	£29,460	£150	Between 0% and 3.45%	Fee varies between £4 and £150	Increases in expenditure and reduction in demand	Full Cost Recovery
Environmental Health – Border Post Inspection	£13,350	Fee varies between £25 and £188	£17,480	£4,130	Between 0% and 3.39%	Fee varies between £25 and £192	Anticipated increase in demand for port health inspections post EU exit	Full Cost Recovery

	2020/21		2021/22					
Chargeable Service	**Budget 2020/21**	**Notes**	**Estimates 2021/22**	**Increase/ (Decrease)**	**Percentage Change**	**Notes**	**Basis for Change**	**Charging Policy**
Environmental Health – Pest Control	£25,900	Fee varies between £10 and £200	£29,400	£3,500	Between 0% and 5.26%	Fee varies between £16 and £200	First full year of externalised service	Subsidised / Full Cost Recovery
Leisure – Football Pitches	£9,420	Match prices: £28/£49 Team: £273/£492	£9,610	£190	2%	Match prices: £29/£50 Team: £278/£502	Annual increase	Subsidised
Waste – Bulky Collections	£42,660	£25	£43,510	£850	4%	£26	To enable a breakeven position	Full Cost Recovery
Waste – Trade Refuse	£475,840	240l - £7.50 360l - £9.00 770l - £15.00 1100l - £16.15	£438,140	(£37,700)	Between 5.00% - 6.67%	240l - £8.00 360l - £9.50 770l - £15.75 1100l - £17.00	To cover inflation increases	Full Cost Recovery
Waste – Trade Sacks	£7,700	£2.70 per sack (min 50 sacks)	£6,020	(£1,680)	3.70%	£2.80 per sack (min 50 sacks)	To cover inflation increases	Full Cost Recovery
Waste – Trade Recycling	£50,860	240l - £3.30 360l - £3.30 1100l - £5.50	£74,950	£24,370	Between 5.45% - 6.06%	240l - £3.50 360l - £3.50 1100l - £5.80	To cover inflation increases	Full Cost Recovery
Waste – Taxi MOTs	£23,160	£43	£21,860	(£1,300)	3%	£44	To cover increase in costs	Profit Generating
Environmental Protection – Burial Fees	£66,150	Fees range from £68 - £1,370	£76,970	£10,820	5%	Fees range from £71 - £1,440	To cover increase in costs	Full Cost Recovery

Appendix C

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2021/22

2020/21 Budget £	2020/21 Forecast Outturn @P7 £	Service	2021/22 Budget £	2022/23 Indicative £	2023/24 Indicative £	2024/25 Indicative £	2025/26 Indicative £
368,460	370,130	Chief Executive	273,898	281,368	289,308	296,898	305,017
642,900	(182,500)	Human Resources	398,738	663,508	678,638	693,308	708,308
1,411,880	1,491,990	Legal & Support Services	1,494,889	1,510,829	1,545,009	1,582,369	1,623,669
2,423,240	**1,679,620**	**Total Chief Executive's Department**	**2,167,525**	**2,455,705**	**2,512,955**	**2,572,575**	**2,636,994**
359,290	397,080	Strategic Director of Place	346,837	356,637	366,967	376,917	387,117
6,290,430	7,511,520	Community Services	6,828,395	7,102,685	7,044,735	7,035,265	7,135,545
492,260	558,930	Planning & Infrastructure	743,978	604,028	513,218	651,798	691,328
839,190	812,420	Economic Development	838,874	812,834	792,484	809,474	826,804
11,630	11,630	Joint Strategic Planning	10,161	10,411	10,681	10,931	11,191
7,992,800	**9,291,580**	**Total Director of Services**	**8,768,245**	**8,886,595**	**8,728,085**	**8,884,385**	**9,051,985**
534,500	502,380	Strategic Housing	535,111	558,231	573,821	588,851	604,261
3,099,760	2,931,160	Customer Services	3,066,341	2,770,771	2,856,321	2,943,501	3,030,561
962,050	1,085,490	Finance	1,074,973	1,112,193	1,114,313	1,138,893	1,162,963
4,596,310	**4,519,030**	**Total Director of Housing & Customer Services**	**4,676,425**	**4,441,195**	**4,544,455**	**4,671,245**	**4,797,785**
15,740	15,740	Non Distributed - Revenue Expenditure on Surplus Assets	16,040	16,160	16,270	16,390	16,510
77,760	75,140	Non Distributed - Retirement Benefits	75,490	75,850	76,210	76,570	76,930
39,440	39,050	Corporate & Democratic Core	38,080	41,140	39,640	42,560	41,100
(570,000)	(56,000)	Targeted savings in relation to J2SS	(570,000)	(895,000)	(1,120,000)	(1,245,000)	(1,270,000)
885,000	885,000	Climate Change Reserve					
15,460,290	**16,449,160**	**NET COST OF SERVICES**	**15,171,805**	**15,021,645**	**14,797,615**	**15,018,725**	**15,351,304**
(1,470,310)	(1,317,624)	Net Recharges from General Fund	(1,548,483)	(1,583,013)	(1,616,493)	(1,650,623)	(1,685,453)
13,989,980	**15,131,536**	**NET COST OF SERVICES AFTER RECHARGES**	**13,623,322**	**13,438,632**	**13,181,122**	**13,368,102**	**13,665,851**
		CORPORATE ITEMS AND FINANCING					
		Corporate Income and Expenditure					
1,209,643	1,176,643	Net Financing Costs	1,462,387	2,105,519	2,289,157	2,380,640	2,485,762
(190,800)	(75,742)	Investment Income	(5,875)	(4,895)	(3,445)	(2,047)	(2,047)
88,696	88,696	Localisation of Council Tax Support Grant - Parish & Special Expenses	47,627	31,752	15,876	0	0
115,000	115,000	Revenue Contribution to Capital (Charging Points)	0	0	0	0	0
15,212,519	**16,436,133**	**NET REVENUE EXPENDITURE**	**15,127,461**	**15,571,008**	**15,482,710**	**15,746,695**	**16,149,566**
630,368	(650,208)	Contribution to/(from) Balances/Reserves	48,856	1,541,776	2,345,093	1,215,163	(2,026,925)
15,842,887	**15,785,925**	**MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)**	**15,176,317**	**17,112,784**	**17,827,803**	**16,961,858**	**14,122,641**

2020/21 Budget £	2020/21 Forecast Outturn @P7 £	Service	2021/22 Budget £	2022/23 Indicative £	2023/24 Indicative £	2024/25 Indicative £	2025/26 Indicative £
		Financed By					
3,410,707	3,410,707	New Homes Bonus	2,547,680	891,117	0	0	0
66,086	66,086	Transfer from Collection Fund	(64,073)	(39,331)	(39,331)	0	0
5,484,489	5,484,489	Council Tax	5,510,814	5,601,204	5,691,595	5,781,985	5,872,376
6,881,605	6,824,643	National Non-Domestic Rates Baseline	3,681,896	4,864,481	6,756,695	7,111,497	4,921,660
		Business Rates Reserve	3,500,000	317,000	317,000		
0		Damping	0	5,478,313	5,101,844	4,068,376	3,328,605
15,842,887	**15,785,925**	**TOTAL FUNDING AVAILABLE**	**15,176,317**	**17,112,784**	**17,827,803**	**16,961,858**	**14,122,641**

SPECIAL EXPENSES BUDGET SUMMARY

SPECIAL EXPENSES	2020/21 Budget	2020/21 Forecast Outturn @ P7	2021/22 Budget	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative
	£	£	£	£	£	£	£
COALVILLE							
Parks, Recreation Grounds & Open Spaces	327,650	286,581	335,370	386,240	388,870	370,180	417,590
Broomley's Cemetery & Closed Churchyard	39,330	34,805	26,610	29,340	25,080	27,860	26,150
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	8,620	7,822	8,690	8,870	9,040	9,210	9,400
Coalville Events	71,910	63,840	78,600	79,230	79,910	80,560	81,230
	449,510	**395,048**	**451,270**	**505,680**	**504,900**	**489,810**	**536,370**
WHITWICK							
Cemetery & Closed Churchyard	22,890	18,275	23,390	9,110	9,320	9,340	9,560
Cademan Wood car park & Open Spaces	990	12,585	4,040	4,120	3,660	4,290	4,380
	23,880	**30,860**	**27,430**	**13,230**	**12,980**	**13,630**	**13,940**
HUGGLESCOTE							
Cemetery & Closed Churchyard	33,150	22,209	25,140	19,650	20,040	17,050	15,150
	33,150	**22,209**	**25,140**	**19,650**	**20,040**	**17,050**	**15,150**
PLAY AREAS/CLOSED CHURCHYARDS							
GROUNDS MAITENANCE:							
OSGATHORPE	390	306	400	410	420	430	440
COLEORTON	18,820	18,746	6,300	8,780	5,440	5,450	5,570
RAVENSTONE	390	306	3,080	5,720	2,610	2,680	2,760
MEASHAM	4,390	4,388	4,480	7,030	3,500	3,580	3,660
LOCKINGTON-CUM-HEMINGTON	3,410	3,404	2,760	2,820	11,620	2,940	3,050
OAKTHORPE & DONISTHORPE	4,330	4,088	13,940	4,550	4,640	4,730	4,820
STRETTON	2,270	2,266	1,820	1,860	9,550	1,940	1,980
APPLEBY MAGNA	4,020	4,023	13,810	3,400	3,100	3,180	3,260
OTHER SPECIAL EXPENSES	**38,020**	**37,527**	**46,590**	**34,570**	**40,880**	**24,930**	**25,540**
SPECIAL EXPENSES (NET COST OF SERVICE)	**544,560**	**485,644**	**550,430**	**573,130**	**578,800**	**545,420**	**591,000**
Service Management recharges/Admin Buildings	122,000	122,000	133,120	135,900	138,610	141,360	144,180
NET COST OF SERVICES AFTER RECHARGES	**666,560**	**607,644**	**683,550**	**709,030**	**717,410**	**686,780**	**735,180**
Contribution to/(from) Balances/Reserves	(35,403)	22,575	(66,648)	(63,971)	(23,235)	47,817	71,089
MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)	**631,157**	**630,219**	**616,902**	**645,059**	**694,175**	**734,597**	**806,269**
FUNDED BY:							
Precept	514,764	514,764	561,375	612,987	670,319	734,257	805,919
Localisation of Council Tax Support Grant	63,503	63,503	47,627	31,752	15,876	0	0
Asset Protection/External Contributions	52,890	51,952	7,900	320	7,980	340	350
	631,157	**630,219**	**616,902**	**645,059**	**694,175**	**734,597**	**806,269**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Cabinet 8 December 2020 – Draft Minutes	**Public Report:** Yes
Financial Implications	Financial issues are considered within the appended Cabinet report	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None.	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft Housing Revenue Account (HRA) Budget Proposals for 2021/22.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMENDS ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

1. BACKGROUND

1.1 The Housing Revenue Account (HRA) Budget Proposals for 2021/22 were presented to the Cabinet for approval for consultation at its meeting on the 8 December 2020. The consultation commenced on the 21 December and includes resident involvement group and draft budget reports being made publicly available for comment on the council's website.

1.2 The Corporate Scrutiny Committee is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 2 February 2021. Separate reports appear on this agenda covering the General Fund and Special Expenses Budget proposals and the Council's Capital Programmes.

1.3 Further details are included within the attached Cabinet Report (Appendix 1).

Policies and other considerations, as appropriate	
Council Priorities:	Local people live in high quality, affordable homes
Policy Considerations:	The budget changes include a proposal to change our approach to rent arrears enforcement, which Cabinet considered in its November 2020 meeting.
Safeguarding:	None identified
Equalities/Diversity:	All of our tenants will be invited to participate in the consultation this year through an article in the InTouch magazine.
Customer Impact:	All of our tenants will be impacted by the changes in rents, whilst a large number will also be impacted by the changes in service charges.
Economic and Social Impact:	None identified
Environment and Climate Change:	This budget provides funding for the HRA Capital Programme, which includes initiatives to respond to the climate change emergency.
Consultation/Community Engagement:	• Corporate Leadership Team • Housing, Property & Customer Services Portfolio Holder • Corporate Scrutiny Committee.
Risks:	The Council sets a HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 8 DECEMBER 2020

Title of Report	**DRAFT HOUSING REVENUE ACCOUNT BUDGET PROPOSALS FOR 2021/22**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Draft Minutes – 11 November 2020	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the draft budget for the Housing Revenue account, which is expected to deliver a balanced budget in 2021/22 with a small surplus of £229k and a £3.7m transfer to the capital programme. The council will also pay the first two HRA loans that fall due 2021/22, totalling £13m. This will be paid from the loan redemption reserve. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	None **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	Proposals within this budget will increase the headcount by 17 staff: • 11 operatives for our in-house repairs team and 5 posts for our commercial services team – all linked to the larger home improvement programme. • 1 additional tenancy management officer, which was approved by Cabinet on 10 November 2020. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to approve 2021/22 Housing Revenue Account budget proposals for consultation.	
Reason for Decision	Required to enable officers to consult with tenants on the changes to the HRA budgets.	
Recommendations	**THAT CABINET:** **1) NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER; AND** **2) APPROVE THE DRAFT HRA BUDGET PROPOSAL, INCLUDING THE 1.5% RENT INCREASE, AS**	

	DETAILED IN THIS REPORT AND ASSOCIATED APPENDICES FOR CONSULTATION

1.0 BACKGROUND

1.1 This report seeks Cabinet approval to consult on the draft Housing Revenue Account (HRA) budget for 2021/22 and the associated changes to rents and services charges. The outcome of the consultation exercise will be fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget.

2.0 UPDATE ON THE CURRENT YEAR (2020/21) FINANCIAL POSITION

2.1 The HRA, by virtue of having a stable revenue stream, remains in a strong financial position despite the disruption caused by the pandemic. The HRA's surplus for 2020/21 is currently forecast to be £2.6m against a budgeted surplus of £2.8m, an adverse variance of £144k.

2.2 It is estimated that the net impact of Covid-19 will be an adverse variances of £219k, which includes the budgeted surplus on the In-house repairs team £658k, the unrealised savings target from the journey to self-sufficiency programme of £225k. Covid-19 has also been attributed to some savings, including spend on repairs falling by £395k. There have also been net savings of £70k that are not related to Covid-19.

3.0 OVERVIEW OF THE 2021/22 BUDGET

3.1 The draft 2021/22 budget surplus is £229k, which is significantly lower than the budget surplus for 2020/21 of £2.8m. This is caused by the increase in the revenue contribution to capital outlay from £0.9m to £3.7m this year. This increased contribution will ensure the ambitious capital programme, which is outlined in the capital budget report, is fully funded. A summary of the HRA budget can be found in Appendix A.

3.2 At the end of the 2021/22 financial year the first two of the HRA's self-finance loans become due, totalling £13m. The HRA's loan redemption reserve will be used to repay these loans in full. The HRA retains reserves of £6.6m, £1m of which is retained as a minimum balance. Cabinet has previously agreed to use these reserves flexibly in response to opportunities such as funding the capital programmes or to further repay debt in the future.

4.0 THE IMPACT OF COVID-19

4.1 Currently, it is difficult to quantify with any real certainty the likely ongoing impact the COVID-19 pandemic will have on the Council's revenue income and expenditure throughout the remainder of the 2020/21 and into the new 2021/22 financial year.

4.2 The impact of the pandemic on the HRA to date has largely impacted the HRA's in-house repairs team, which is accounted for in a trading account within the HRA. The effect of social distancing requirements impacting productivity, along with lower requests for repairs from residents, has moved the trading account into a forecast deficit of £373k. To date, the Housing Revenue Account has received nil funding from central government.

4.3 Of the estimates proposed as part of this draft budget, several have been varied to take account of the likely effect of the pandemic. These includes the reductions to service charges to reflect reduced services, and thus costs, as a result of the pandemic in 2020/21 (paragraph 5.4) and proposed changes to how we support residents (paragraph 6.8).

5.0 2021/22 INCOME BUDGETS

Annual Rents

5.1 The vast majority of the HRA's income comes from the rent received from our tenants. How much we can vary our rents by is limited by the Ministry for Housing, Communities and Local Government to 1% more than inflation, as measured by the Consumer Price Index in the September before a financial year. For 2021/22 this means rents can increase by 1.5%.

5.2 As with previous years, the council is proposing to increase rents by the maximum that it can, 1.5%. As a result rental income is budgeted to increase by £139k, which can be reinvested back into our properties and the services provided to tenants.

5.3 This will increase the average rent on our social rented properties by £1.22 per week to £83.56. Average rent for our affordable rent properties will rise by £1.66 per week to £113.19. Our rent policy remains that no rents will exceed the Local Housing Allowance rates, which means all of our rents could be covered by housing benefit or universal credit, should a tenant be eligible for such support.

Other Charges

5.4 The HRA also benefits from some additional income from fees and charges that we set for additional services provided to tenants and others. Additional services provided to tenants through their rental agreement form our service charges, which are listed in Appendix D. The charges are set at a level to recovery the council's costs of delivering those services, and the 2021/22 budget includes income of £541k, down by £20k (3.5%) from the previous year. Key changes include:

- **A 14.7% fall in grounds maintenance charges**. The grounds maintenance service was temporarily paused in response to the pandemic, resulting in a cost saving which can be passed on to tenants. This reduces the HRA's income by £16k.

- **Utility costs for common areas are falling by 5%**. This is the result of invoices being lower in 2020/21 than anticipated, and will reduce income by £2k.

- **The income from the administration fee is falling by 5.37%.** As the administration fee is set at 15% of chargeable services, the overall reduction in service charges leads to a lower administration fee, reducing HRA income by £3k.

- **Fire extinguisher servicing costs increasing by 7.5%.** This is because on analysis of the historic cost increases. Whilst the percentage increase is large, the value is very small, with just £64 additional income.

5.5 The HRA also sets a number of other fees and charges, which are for optional services we provide, such as contents insurance. This are included in Appendix C, with an overall reduction in income of £3k expected.

5.6 The HRA also earns interest on the cash reserves it holds. The pandemic has resulted in a significant fall in the interest the council can earn on its cash budgets, which

6.0 2021/22 EXPENDITURE BUDGETS

6.1 There has been a small increase in HRA budgeted expenditure of £28k compared to the 2021/22 budget, which is reflective of this year's budget approach to focus on the fundamentals within the Council Delivery Plan. The budget changes over £5k are categories into:

- Savings following review of existing budgets and deliverability.
- Staffing cost increases.
- Unavoidable cost pressures
- Service developments.
- Changes in income

6.2 In addition to these changes there are a number of de minimis changes which total £57k of additional expenditure. The pay freeze announced by government on 25 November 2020 has been incorporated into the budget and has reduced the increases in salaries and corporate recharges by £141k.

Savings

6.3 Officers reviewed key HRA budgets and, based on analysis of historic trends and other new information, identified £285k of savings from the previous year's budgets. This included:

6.3.1 Reducing the £1.5m responsive repairs budget by £100k. This follows sustained reductions in repair expenditure on our properties.

6.3.2 A £150k reduction in the painting programme, which is part of our cyclical maintenance work, as there is no painting programme due for 2021/22.

6.3.3 A £15k saving created by the consolidation of repairs budgets.

6.3.4 Savings of £14k generated from the re-procurement of the heating servicing contract.

6.3.5 Lower planned expenditure on professional fees, saving £6k.

Cost pressures

6.4 The largest cost pressure is £234k for 5 new roles within our commercial services team to facilitate the delivery of the larger home improvement programme, which is an increase contained within the capital budget report.

6.5 The larger home improvement programme will also require an additional 11 operatives to deliver the programme. This will reduce reliance on the use of agency staff (saving £90k) and overall will lead to the in-house repairs team generating an additional surplus of £55k during the year.

6.6 The empty home repair budget has had an inflationary increase of £48k. This figure is net of a saving of £26k that is expected through the addition of a tenancy sustainment officer, which features as a service development in paragraph 6.8.

6.7 As a result of changes to staff numbers, as well as cost changes within the General Fund report, the recharge from the general fund to the HRA for corporate services has increased by £57k.

6.8 The budget includes additional expenditure of £53k in respect to existing staff salaries. This has been budgeted on the basis of a pay freeze for staff earning more than £24,000, as announced by government on 25 November 2020. The total effect of the pay freeze has been to reduce increases in salaries and corporate recharges by £141k.

Service Developments

6.9 On 10 November 2020 Cabinet approved a new approach to managing arrears which included a proposal to recruit an additional tenancy support officer that would look to support tenants that fall into arrears, with advice and support on claiming benefits and financial management. This is expected to cost an additional £41k, but that is expected to be offset by £30k of savings through reduced empty homes costs.

6.10 An additional one-off budget increase of £19,000 within the income and systems team to bring in additional support whilst the new housing IT system is in its first year of operation.

7.0 CONSULTATION PROCESS

7.1 The Corporate Scrutiny Committee reviewed the planned changes to the HRA budget at its meeting on 11 November 2020. Whilst members of the committee asked a number of clarifications, no changes were suggested relating to the HRA. The draft budget will return to the committee on 7 January 2021.

7.2 On approval of this budget, we will launch a consultation with tenants during January. Following a suggestion from the Corporate Scrutiny Committee in January 2020, we will include an article about planned changes, including to rent and service charges, in the tenants' magazine, InTouch. This magazine is sent to all tenants, and we will invite tenants to provide any feedback via a short survey on our website.

7.3 We will also present the budget to the Tenants and Leaseholders Consultation Forum (the Council's main consultative body of tenants) to ask for their views.

8.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

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

8.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Draft Housing Revenue Account Budget for 2020/21 are robust and prudent, and the proposals are deliverable.

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

Policies and other considerations, as appropriate	
Council Priorities:	Local people live in high quality, affordable homes
Policy Considerations:	The budget changes include a proposal to change our approach to rent arrears enforcement, which Cabinet considered in its November 2020 meeting.
Safeguarding:	None identified
Equalities/Diversity:	All of our tenants will be invited to participate in the consultation this year through an article in the InTouch magazine.
Customer Impact:	All of our tenants will be impacted by the changes in rents, whilst a large number will also be impacted by the changes in service charges.
Economic and Social Impact:	None identified
Environment and Climate Change:	This budget provides funding for the HRA Capital Programme, which includes initiatives to respond to the climate change emergency.
Consultation/Community Engagement:	• Corporate Leadership Team • Housing and Property Services Portfolio Holder • Corporate Scrutiny Committee.
Risks:	The Council sets a HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer 01530 454 707 tracy.bingham@nwleicestershire.gov.uk

APPENDIX A

HOUSING REVENUE ACCOUNT SUMMARY	2020/2021 Budget £	2020/2021 Forecast (p7) £	2021/2022 Estimate £
1. TOTAL REPAIRS & MAINTENANCE	5,540,720	4,859,920	5,323,102
SUPERVISION & MANAGEMENT			
2. General	2,100,630	2,042,990	2,168,888
3. Special / Supporting People	593,399	560,960	606,411
4.	2,694,200	2,603,950	2,775,299
5. PROVISION -DOUBTFUL DEBTS	100,000	100,000	100,000
6. CAPITAL FINANCING:-			
7. Depreciation - MRA & other	3,139,190	3,139,190	3,178,525
8. Debt Management Expenses	2,750	2,750	2,930
9. TOTAL CAPITAL FINANCE COSTS	3,141,940	3,141,940	3,181,455
10. IN-HOUSE REPAIRS TEAM NET (SURPLUS)/DEFICIT	(285,520)	372,940	(385,523)
11. DEPARTMENTAL ADMINISTRATION	0	(122,820)	0
12. TOTAL EXPENDITURE	**10,966,340**	**10,955,770**	**10,994,333**
13. RENT INCOME			
14. Dwellings	(17,306,320)	(17,273,120)	(17,445,770)
15. Service Charges	(556,770)	(518,370)	(541,340)
16. Garages & Sites	(65,920)	(48,900)	(49,350)
17. Other	(23,140)	(23,140)	(23,198)
18. TOTAL INCOME	**(17,952,150)**	**(17,863,530)**	**(18,059,658)**
19. NET COST/(SURPLUS) OF SERVICES	**(6,347,790)**	**(6,907,760)**	**(7,065,325)**
20. J2SS Cost Savings/Income increases	(225,000)	**0**	(225,000)
21. CAPITAL FINANCING - HISTORICAL DEBT	125,000	125,000	108,000
22. CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
23. INVESTMENT INCOME	(109,900)	(43,620)	(3,380)
25. TOTAL DEBT FINANCING COSTS	**3,272,270**	**3,338,550**	**3,136,790**
26. NET OPERATING EXPENDITURE/(SURPLUS)	**(3,713,540)**	**(3,569,210)**	**(3,928,535)**
27. REVENUE CONTRIBUTION TO CAPITAL	934,000	934,000	3,700,000
28. REPAYMENT OF HRA DEBT	0	0	13,000,000
29. TRANSFER FROM LOAN REPAYMENT RESERVE	0	0	(13,000,000)
29. NET (SURPLUS) / DEFICIT	**(2,779,540)**	**(2,635,210)**	**(228,535)**
<u>HRA BALANCES</u>			
30. Balance Brought Forward	(3,699,522)	(3,699,522)	(6,334,732)
31. (Surplus)/Deficit for Year	(2,779,540)	(2,635,210)	(228,535)
32. Transfer to Loan Repayment Reserve	0	0	13,000,000
33. HRA General Balance as at year end	(6,479,062)	(6,334,732)	(6,563,267)
34. Loan Repayment Reserve balance	(13,000,000)	(13,000,000)	0

APPENDIX B

HRA Budget Proposals over £5,000

*indicates a change since proposals were considered by the Corporate Scrutiny Committee

Reason for changing the budget	Proposal	One-off / reoccurring	Investment/ (Saving) Amount compared to 2020-21
Cost Pressures	Five additional posts in the commercial services staffing to deliver the larger home improvement programme	Reoccurring	£233,976
	Additional empty home repair costs as a result of inflation. This figure has been reduced by £30,000 as a result of savings expected through the additional tenancy sustainment officer service development.	Reoccurring	£48,354
	*Increase in corporate recharges from the General Fund	Reoccurring	£57,184
Increase/ Decrease in Income	Estimated additional surplus from the In-House Repairs team, in response to increasing home improvement work. This is net of additional staff costs from an additional 11 operatives required to deliver the programme, less £90k savings from reduced agency spend, with additional costs for materials and transport as a result of the higher workload. Included in this figure is £25k additional recharge costs associated with fleet vehicles.	Reoccurring	£-54,999
	*Rents are due to increase by 1.5% for 2020-21. However, the increase to expected income is offset by a higher than anticipated number of right to buys in the last quarter of 2019-20, which reduced the number of stock, and thus decreased our income.	Reoccurring	£-139,450
	*Income from fees and charges, which includes service charges, is expected to decrease. This is largely due to some services pausing during the pandemic, with cost savings being passed onto tenants in 2021/22.	One-Off	£22,686
	*Reduction in investment income due to lower returns since the pandemic.	Reoccurring	£106,520
Service Development	An additional Tenancy Sustainment Officer as a result of a new approach to managing rent arrears. This is part funded by a resulting saving in repairing empty homes	Reoccurring	£40,957
	Additional salary costs to allow continued development the new Housing IT System in its first year of operation.	One-Off	£19,000
Budget Saving	Savings through re-procuring our heating servicing contract and removed historic underspending from compliance budgets result in a net saving of £13,630.	Reoccurring	£-13,630
	Reduction in responsive repairs budget due to sustained improvement in performance by the responsive and minor works repairs teams.	Reoccurring	£-100,000
	Saving as a result of consolidating repairs budgets.	Reoccurring	£-15,380
	Reduction in the painting budget as there is currently no painting programme due for 2021/22	One-Off	£-150,000
	Lower planned expenditure on professional fees	Reoccurring	£-6,000
Total Impact compared to the 2020/21 budgets			**£49,218**

APPENDIX C

COMPARISON OF 2020/21 AND 2021/22 HOUSING CHARGES								
	2020/21		2021/22					
Chargeable Service	**FORECAST 2019/20**	**Notes**	**Estimates 2020/21**	**Increase/ (Decrease)**	**Percentage Change**	**Notes**	**Basis for Change**	**Charging Policy**
Service Charges	£561,027	See Appendix D	£541,340	-£19,686	0.44%	See Appendix D	Based on assessment of all chargeable services	Full Cost Recovery
Central Heating	£66,640	0 Bed: £6.27pw 1 Bed: £7.57pw 2 Bed: £8.68pw 3 Bed: £9.99pw	£63,310	-£3,330	-5.00%	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 2021/22.	Full Cost Recovery
Garage & Garage Site Rent	£49,100	Garage: £7.09pw Garage Site: £4.54pw	£49,350	£250	0.50%	Garage: £7.09 per week Garage Site: £4.54 per week	Charges increasing by inflationary increase.	Profit generating
Tenants Contents Insurance	£44,590	Premiums from £0.28 to £6.23pw	£44,590	£0	0.00%	Premiums from £0.28 to £6.23pw	No increases expected this year from supplier.	Profit generating
Lifelines (East Midlands Housing Association)	£16,200	Various depending on scheme but range from £1.91 to £3.18 pw	£16,280	£80	0.50%	Various depending on scheme but range from £1.92 to £3.20 pw	Based on inflationary increase	Service development
Total Services	**£737,557**		**£714,870**	**-£22,686**	**-3.08%**			

APPENDIX D

COMPARISON OF 2020/21 AND 2021/22 SERVICE CHARGES					
	2020/21	**2021/22**			**Comments**
Chargeable Service		**Estimates 2021/22**	**Increase/ (Decrease)**	**Percentage Change**	**Basis of Increase/(Decrease)**
Cleaning of shared/common parts	£65,759	£66,088	£329	0.50%	Contractual inflationary increase.
New Cleaning Contract Blocks	£30,280	£30,431	£151	0.50%	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	£109,985	£93,817	-£16,168	-14.70%	Reduction due caused by the suspension of the grounds maintenance service during the early stages of the pandemic.
Utility costs of shared/common parts (Electricity)	£69,678	£66,194	-£3,484	-5.00%	Decrease as a result of planned budgetary savings.
Door entry systems	£1,565	£1,560	-£5	-0.32%	Based on falling actual costs.
Repairs and replacement of items in laundry room	£22,790	£22,904	£114	0.50%	Contractual inflationary increase.
Repair and replacement of items in common room/kitchen	£623	£608	-£15	-2.41%	Based on analysis of actual costs.
Support Officer checks in Schemes including fire alarms	£6,383	£6,559	£176	2.75%	Based on forecast salary increases for 2021/22
Servicing of fire extinguishers	£850	£914	£64	7.52%	Based on average of past 6 years actual charges
Maintenance of Control Centre link equipment	£34,709	£34,883	£174	0.50%	Contractual inflationary increase.
Older Persons Service Charge	£161,544	£163,321	£1,777	1.10%	RPI increase based on September RPI figure weekly charge to increase from £3.09 to £3.18 pw
Administration fee	£52,106	£49,306.87	-£2,799	-5.37%	15% of chargeable services
Total Services	**£561,027**	£541,340	-£19,686	**-3.51%**	

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**2021/22 - 2025/26 DRAFT CAPITAL PROGRAMMES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Cabinet 8 December 2020 – Draft Minutes	**Public Report:** Yes
Financial Implications	Financial issues are considered within the appended Cabinet report	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft Capital Programme for 2021/22.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMEND ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

1. BACKGROUND

1.1 The Draft Capital Programmes 2021/22-2025/26 were presented to Cabinet for approval for consultation at its meeting on the 8 December 2020.

1.2 The Corporate Scrutiny Committee is invited to consider the proposals and provide any comments to Cabinet to take into account when it agrees its final recommendations on 2 February 2021. Separate reports appear on this agenda covering the General Fund and Special Expenses Budget proposals and the Council's Capital Programmes.

1.3 Further details are included within the attached Cabinet Report (Appendix 1).

Policies and other considerations, as appropriate	
Council Priorities:	The budget assists the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	The requirement for equalities impact screening and assessments is being reviewed during the consultations and details if required will be provided as part of the management responses.
Customer Impact:	Residents will benefit from improved leisure facilities within the district and other improved assets. Council tenants will be impacted by Council home improvements.
Economic and Social Impact:	Detail any economic or social impact as a result of the decision.
Environment and Climate Change:	None
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 8 DECEMBER 2020

Title of Report	**2021/22 - 2025/26 DRAFT CAPITAL PROGRAMMES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Corporate Scrutiny Draft Minutes – 11 November 2020	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	As contained in the report. **Signed off by the Section 151 Officer**: Yes/No	
Legal Implications	None **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	None **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To advise Members of the forecast Capital Outturn and the relevant financing for 2020/21 for the General Fund and the Housing Revenue Account. To seek approval of the Draft General Fund, and HRA Capital Programmes for 2021/22 and to note indications for future years and associated funding for consultation.	
Reason for Decision	To enable projects to be included in the Programmes for consultation.	
Recommendations	**THAT CABINET:** **1) NOTE THE ESTIMATED GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) CAPITAL OUTTURN FOR 2020/21 AND PLANNED FINANCING IN APPENDICES A AND B.** **2) APPROVES FOR CONSULTATION THE DRAFT CAPITAL PROGRAMMES IN 2021/22 DETAILED IN:** • **APPENDIX A: GENERAL FUND CAPITAL SCHEMES** • **APPENDIX B: HRA CAPITAL SCHEMES** **AND IN 2022/23, THESE SCHEMES ONLY:**	

	• **£526,000 FOR THE VEHICLE REPLACEMENTS AS DETAILED IN PARAGRAPHS 5.10.** **3) NOTES THE PROPOSED PROCUREMENT ROUTES IN RESPECT OF VEHICLES, EQUIPMENT AND PLANT AND DELEGATES THE AUTHORITY TO AWARD THESE CONTRACTS AND ANY ASSOCIATED AGREEMENTS FURTHERANCE OF THE PROJECT TO THE RELEVANT STRATEGIC DIRECTOR, IN CONSULTATION WITH THE RELEVANT PORTFOLIO HOLDER, SUBJECT TO FINAL APPROVAL OF THE CAPITAL PROGRAMMES IN FEBRUARY 2021.**

1.0 INTRODUCTION

1.1 By Regulation, all local authorities are required to have regard to the Prudential Code when setting their Capital Programmes. The core objectives of the Code are to ensure that Capital schemes are ‘Affordable, Prudent and Sustainable’. This is reviewed in conjunction with both the Capital Strategy and the Treasury Management Strategy Statement (TMSS) which contains indicators that evidence compliance with the Code. These strategies will be presented to members with the budget in February 2021.

1.2 As part of the process of effectively assessing property items for inclusion in the capital programme, the Council has collated a Planned Preventative Maintenance (PPM) Schedule that prioritises works based on a matrix scoring system. Items of a capital nature that are essential have been included in the capital programme in 2021/22.

1.3 Appendix “A” shows the General Fund estimated outturn for 2020/21 and the proposed Capital Programme for 2021/22 to 2025/26.

1.4 There are no Special Expenses estimated for 2020/21

1.5 Appendix “B” shows the Housing Revenue Account (HRA) estimated outturn for 2020/21 and the proposed Capital Programme for 2021/22 to 2025/26.

2.0 CONSULTATION WITH CORPORATE SCRUTINY

2.1 As introduced last year as part of the 2020/21 budget setting process, a report was taken to the Corporate Scrutiny on the 11 November 2020 to seek feedback on early budget proposals. This was designed to enhance member scrutiny of the proposed budget changes for the forthcoming year, and also provide members with an opportunity to feed suggestions into the process.

2.2 A link to the draft minutes is provided in the background papers on page one of the report. Members have made comments in relation to the Breedon Gate, Marlborough Square and Memorial Square proposals. None of the schemes have changed as a result of the comments made.

3.0 GENERAL FUND CAPITAL PROGRAMME– ESTIMATED OUTTURN 2020/21

3.1 The projected outturn for 2020/21 on General Fund schemes total £11.96 million. This is a decrease in the year of £963k against the original budget of £12.92 million.

3.2 This managed decrease is caused by the following:

	£	£
Original Budget 2020/21		**12,920,310**
Approved Schemes carried forward from 2019/20 and 2020/21 approved virements		
Finance System Review	100,000	
Server and Additional Capacity	14,560	
Telephony Unified Communications	135,092	
Vans – Medium	180,000	
Vans – Box Lorry	20,000	
GM Depot Coalville Park – Concreting	2,367	
District Car Park LED Lighting Replacement	25,000	
Leisure Project – Hood Park Leisure Centre, Ashby	121,420	
Leisure Project – Coalville and Whitwick Leisure Centre	7,251,402	
Linden Way Depot – Welfare Facilities	92,084	
Moira Furnace – Masonry, Drainage, Upgrades, Bridge works	280,000	
Council Offices – Fire Alarm and COTAG Door System	2,482	
Council Offices – Replace obsolete parts to Consumer Unit	75,000	
Council Offices – Replacement LED Lighting	35,000	
Council Offices – Roof Insulation	30,000	
Council Offices – External Works to Roadway	5,000	
Marlborough Square	1,765,868	
New Market Provision	315,662	
Salt Bay	20,000	
Appleby Magna Caravan Site – Redevelopment	130,584	
Total (increase to 2020/21 budget)		**10,601,521**
Less in year funding Changes		
Disabled Facilities Grant	-44,996	
WAN and DC Renewal	-60,000	
Laptop Replacement	60,000	
Sweeper (Capital Receipt)	7,820	
		(37,176)
Less planned slippage in 2020/21 carried forward to 2021/22		
Refuse Vehicle & Kerbsider	(660,000)	
Market Vehicles/Cars	(30,000)	
Vans – Medium	(420,000)	
Vans – Box Lorry	(20,000)	
Leisure Project – Coalville and Whitwick Leisure Centre	(8,685,050)	
Moira Furnace - Masonry, Drainage, Upgrades, Bridge works	(280,000)	
Council Offices – Replace obsolete parts to Consumer Unit	(75,000)	
Council Offices – Replacement LED Lighting	(35,000)	
Council Offices – Roof Insulation	(30,000)	
Council Offices – install solar panels	(40,000)	
Council Offices – Main Building – Window Installation	(250,000)	

Council Offices – External Works to Roadway	(5,000)	
Whitwick Business Centre – install solar panels	(40,000)	
Car Park – High Street, Ibstock – remove and renew gullies	(35,000)	
Market Hall – Demolish and Make Good	(75,000)	
The Courtyard – renew rainwater goods	(25,000)	
Whitwick Business Centre – Upgrade CCTV	(10,000)	
Market Street Car Park – Resurfacing	(12,000)	
Ashby Town Hall Mews – installing bollard, resurfacing & relining	(15,000)	
Marlborough Square	(1,628,482)	
Appleby Magna Caravan Site	(560,000)	
		(12,930,532)
Forecast under spends in 2020/21 that will not be carried forward		
UPS/Generator	(47,130)	
Appleby Magna Caravan Site – Redevelopment	(177,785)	
		(224,915)
Total (decrease to 2020/21 budget)		**(9,588,986)**
Indicative Outturn 2020/21		**10,329,208**

3.3 The total planned financing of the General Fund expenditure totalling £10.3m for 2020/21 is broken down in the table below:-

	£
Disabled Facilities Grant	625,314
Revenue Contributions to Capital	115,000
Capital Receipts	7,820
Other Reserves	502,700
Unsupported Borrowing – Internal	9,078,375
Total	**10,329,208**

3.4 The 'schemes carried forward' shown in paragraph 2.2 above, represents expenditure which was originally expected and budgeted for in 2019/20 but slipped into 2020/21. The budgeted financing has also been carried forward. The majority of the slippage relates to the new build leisure centre, Marlborough Square and the Council Offices and the reasons are detailed below:

a) The recent slippage with the new build project and associated spend is as a result of the protracted nature of the engagement process with the Highways Authority. In order for us to commence works on site we needed formal sign-off for the Section 278 works (highways / public footpath works) and this took more time than originally anticipated;
b) In relation to Marlborough Square, substantial project activity is ongoing as part of the Section 278 consent process. It has not been necessary to incur significant sums of expenditure as part of this work and therefore we have revised the project's spend profile to reflect this. Peak project spending is now anticipated during the 2021/22 financial year; and
c) The capital programme for the Council Offices has been rolled a further financial year. This is on the basis that the capital profile presented a minimum state of maintenance and repair for the Council Building. This work remains and

is a minimal obligation should the main Council offices continue to be used. However this is profiled, noting a pending decision around the future of Council accommodation. COVID-19 has both delayed this work and also changed the decision making landscape. There have been significant, and lasting changes in working behaviours and occupation levels. Council Officers are now actively reviewing the impact of these changes on previous works, with a view to committing capital expenditure in 21/22.

4.0 HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME – ESTIMATED OUTTURN 2020/21

4.1 The projected outturn for the Housing Revenue Accounts is £9.6 million against a budget of £10.1 million, a decrease of £0.5 million. More detail is provided in the table below.

	£	£
Original Budget 2020/21		**10,113,751**
Approved Schemes carried forward from 2019/20		
New Supply: General Acquisition of property and land	1,556,000	
Estate Improvements: Mobility Scooter Stores	109,000	
Estate Improvements: Off Street Parking	378,000	
Compliance: Fire Risk Assessment Remedial Works	400,000	
Supported Housing Improvements: Speech Module	100,000	
Supported Housing Improvements: Sheltered Housing Improvements	200,000	
Total (increase to 2020/21 budget)		**2,743,000**
Less forecast slippage in 2020/21 carried forward to 2021/22		
Home Improvement Programme	(1,869,611)	
Estate Improvement: Place-shaping pilot	(250,000)	
Estate Improvement: Mobility scooter stores	(109,000)	
Fire Risk Assessment Remedial Works	(490,000)	
Supported Housing Improvements: Speech Module	(230,000)	
Forecast over or (under) spends in 2020/21 that will not be carried forward		
New Supply Programme	(1,189,730)	
Estate Improvement Programme	(482,000)	
Major Aids & Adaptations	(75,000)	
Supported Housing Improvements	(270,000)	
Active Asset Management	(160,000)	
New Housing System	319,000	
Capital Salaries	(6,000)	
Total (decrease to 2020/21 budget)		**(4,812,341)**
Indicative HRA Capital Outturn 2020/21		**8,044,410**

4.2 The revised funding for the HRA Capital programme for 2020/21 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	3,673,112
Right to Buy 'One for One' receipts	1,108,323
Other right to buy receipts	1,068,148
Section 106 Affordable Housing commuted sums	57,000
Revenue Contribution to Capital Outlay (RCCO)	934,000
Other usable capital balances	4,152,438
Total Resources used in 2020/21	**10,993,021**
Retained for future years	6,004,352

5.0 GENERAL FUND CAPITAL PROGRAMME 2021/22 TO 2025/26

5.1 The General Fund capital programme for 2021/22 to 2025/26 is detailed in Appendix A. This programme provides for a continuation of the ongoing and recurring Disabled Facilities Grants Scheme and the Vehicle Replacement Programme as well as funding for various other projects and programmes.

5.2 Schemes shown as slippage from 2020/21 and carried forward to 2021/22 are detailed in the table in paragraph 2.2 above.

5.3 New schemes for 2021/22, as detailed in the table below, are included in the capital programmes for approval. The total funding requirement for the new schemes is £1.4 million in 2021/22 and £3.04 million in total over the 5 year programme.

5.4 <u>2021/22 Capital Programme</u>

	£	£
Indicative Budget 2021/22		**8,104,310**
New Schemes for 2021/22:		
We plan to invest £1.2 million by purchasing the Marlborough Centre in Coalville. The investment will be subject to a successful Future High Street Funding (FHSF) bid and is in line with the draft bid presented to Scrutiny and Cabinet in May 2020. The FHSF will be used to repair and refurbish the building and convert the upper floor into flats.	1,193,000	
We plan to invest £1.8 million over three years in public realm at Memorial Square, Coalville. The investment will urban forest planting and enlargement of public space to make it a more welcoming environment and reflect Coalville's location as part of the National Forest. It will also include widening of the south side of the road at High Street, Coalville, With the revised road configuration, it will also be undertaken at Belvoir Road, Coalville, which is the busiest of the traditional shopping streets in the town. The investment will be £180k in 2021/22 and £1.8m in total over a three year period and s line with the draft bid presented to Scrutiny and Cabinet in May.	180,000	

We plan to invest £50,000 on installation of a gate on the road leading to at Breedon on the Hill Church. The investment will include obtaining planning permission, design and build of a gate on the road leading to Breedon church. This is a programme of work aimed at protecting a Grade 1 asset within the district that has been subject to long standing anti-social behaviour. The solution is to erect a gate and limit night time activity, an application has been made to the Department for Transport and also some design works and S278 in consultation with the County Council. The budget is to support this work to its conclusion. The Parish Council or the quarry would not have the expertise to be able to deal with the detailed negotiations and design works required.	50,000	
		1,423,000
Changes to existing schemes for 2021/22:		
We plan to invest an additional £75,000 in the existing Finance System Implementation programme. We currently have £100,000 in the 2020/21 capital programme and a £400,000 revenue reserve. The authority has engaged a consultant to assist with the procurement stage of the project and they have advised that our current budget will not be sufficient for the implementation of the new finance and cash receipting systems. It is estimated that additional capital funds of £35,000 will be required in 2021/22 and £40,000 in 2022/23. A portion of the implementation costs will be recharged to the HRA, however the accounting treatment for this is still being work through. The amounts and recharge will be confirmed in the final budget.	35,000	
We plan to reduce the laptop replacement programme. There will be a reduction in the laptop replacement programme of £23,000 in 2021/22 due to additional spend in the current year to set up officers to be able to work from home during the pandemic – thereby effectively having brought forward the investment into the current financial year creating a saving next year. However, now that more officers now have laptops these will require replacement every five years and so there will be an additional £150,000 over the 5 year period, but later in the 5 year programme.	-23,000	
We plan to amend the Fleet Programme. The majority of the increase is the vehicles required for the food waste recycling rounds and additional vans required within the housing service. More details in paragraph 4.6 below.	498,320	
We plan to re-profile the budget for the new Coalville and Whitwick Leisure Centre. Due to the delays with the project and the original budget was based on estimates, the planned spend has been re-profiled to reflect the forecast spend. Original there was no budget for 2022/23. There are no savings just reallocation of	-3,004,125	

budget over the years.		
		-2,528,805
2021/22 Revised Budget		**7,033,505**

5.5 2022/23 – 2025/26 Capital Programme

There are a number of changes requested to the capital programme for future years and are detailed below:

- Reduce the Wi-Fi replacement programme from £50,000 to £25,000 in 2022/23 due to less work being required than originally anticipated.
- Move the £50,000 Website investment from 2023/24 to 2022/23.
- Move the £70,000 Firewall from 2023/24 to 2022/23.
- Move the £45,000 Windows Professional from 2024/25 to 2022/23; and
- Remove the £120,000 on desktop replacements in 2022/23 as the budget is no longer required.
- An additional £60,000 for a replacement UPS generator in 23/24, this was originally scheduled for 2020/21, however it was agreed to carry out essential repairs and maintenance only in the current year,

Fleet Replacement Programme

5.6 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.

5.7 It should be noted that the current fleet replacement programme is on hold whilst the council investigates lower carbon options compared to the diesel vehicles currently being used.

5.8 Due to service requirements, approval will be sought at Council in February to amend the previously reported 2021/22 fleet budget from £865,000 to £1.36 million, a net increase of £498,000. The majority of this increase is the vehicles required for the food waste recycling rounds and additional vans required within housing services for new operatives commencing in April.

5.9 The total fleet budget for 2021/22 is now as follows:

Vehicles / Plant & Equipment	Original Budget £	Revised Budget £
Refuse / Recycling Vehicles	220,000	240,000
Food Waste Vehicles	-	288,320
Market Vehicles / Cars	90,000	75,000
Vans Small	45,000	37,500
Vans Medium - Housing	32,000	198,000
Vans – Pickup	100,000	90,000

Sweepers	180,000	180,000
Digger/Misc Plant	130,000	172,000
Mowing	68,000	82,500
TOTAL	**865,000**	**1,363,320**

5.10 In order to progress with the 2022/23 purchases, approval is sought for the following vehicles:

Vehicles / Plant & Equipment	**Budget £**
Refuse / Recycling Vehicles	360,000
Vans Small	26,000
Vans Medium - Housing	50,000
Vans – Pickup	90,000
Total	**526,000**

Disabled Facilities Grants

5.11 The Disabled Facilities Grant is a capital grant paid to local authorities that can meet, or contribute towards the costs of adapting a person's home. This can help eligible people to stay in their homes for longer and live safer, healthier and more independent lives. It is proposed to continue with the Disabled Facilities Grant function that has been delegated to the lead authority (Blaby District Council) under the Lightbulb Project Scheme. As this is a rolling programme, the scheme has been updated to include 2025/26 and amounts revised based on the forecast grant to be received.

General Fund Capital Programme (2021/22) Funding

5.12 The General Fund Capital Programme (2021/22) will be funded by:

	£
Disabled Facilities Grant	670,310
Reserves	2,204,300
Capital Receipts	1,624,482
Unsupported Borrowing (Internal)	15,640,945
Total (including carry forward from 20/21)	**19,964,037**

6.0 SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

6.1 There was no special expenses capital schemes for 2020/21.

6.2 There are no new schemes identified to commence in 2021/22.

7.0 HRA CAPITAL PROGRAMME – 2021/22 - 2025/26 INDIVIDUAL SCHEMES

7.1 The HRA Capital programme (Appendix B) covers in detail the capital schemes for the period 2021/22 to 2025/26 and how they are funded. The total expected spend over 5 years is £60.7 million, with a £11.9 million budget for 2021/22. In additional this, there is an estimated £1.4m of the 2020/21 HRA capital programme to be carried forward a year, with more detail provided in paragraph 3.1.

7.2 Officers have reviewed the HRA Capital Programme for 2021/22 in light of changing priorities, and focus on improving existing homes and buying and building new ones. A new Zero Carbon Programme is the only new capital programme for 2021/22, pending further consideration as to how to fairly share the costs of the new finance with the HRA – funding for our Zero Carbon Programme and the new finance system. Paragraph 6.4 then sets out changes to the indicative 2021/22 capital programme reported to Council in February 2020..

7.3 New Schemes for Consideration for 2021/22

New Schemes for 2021/22	**£**
Zero Carbon Programme. An initial £250k set aside to pilot works to reduce carbon emissions from our properties and to allow the council to match contributions required by external grants, such as the recently announced Green Homes Grant Scheme funding. This will be a significant area of investment growth over future years.	250,000
Total new Schemes for 2021/22	**250,000**

7.4 Changes to existing schemes 2021/22

Changes to existing schemes for 2021/22	
The Home Improvement Programme has increased by £553k to £4.5m. This follows a review of the latest stock condition surveys, which have now been completed on over half the stock, to estimate the latest requirement to ensure our homes remain Decent. The planned work has been spread over a five year £22.5m programme. This gives greater certainty over the level of work that will need to be completed by the in-house repairs team allowing for more effective resource planning and reducing the reliance on agency staff to adjust to peaks of workload. However, the programme remains in review as new working practices in response to Covid-19 have reduced the productivity of the team, and may lead to some re-profiling of the work from 2021-22 into later years when presented in the draft budget to Cabinet in December.	553,000
An additional staff member will support the delivery of the New Supply Programme. This will cost an additional £32k per year and will provide support to our current part time new build officer in finding development sites and evaluating them as well as acquiring existing properties and bidding for Section 106 properties where appropriate.	32,000
The New Supply Programme has been re-profiled, reducing expected spend next year by £1.0m to £5.1m. This re-profiling reflects the current status of the new build programme, and provides a small provision of £350,000 for the general purchase of land or properties, either from the open market or through buying back properties previously sold through right to buy. The overall 5 year New Supply programme position has seen a slight increase from £25.9m to £26.5m.	(951,000)
The Sheltered Housing Improvements Programme has been delayed a year, leading to £450k of savings this financial year. The pressures experienced this year has delayed initial design work for the Sheltered Housing Improvements Programme, which will now begin in 2021-22 with a £50k budget provision.	(450,000)

The Estate Improvement Programme has reduced by £220k to £560k. Following the budget setting principles agreed by Cabinet, officers have assessed the ability to deliver the capital programmes in the year. As a result, £220k has been removed from the estate improvements programme, from the following areas: • £50k is from work on footpaths and un-adopted roads, which leaves a budget of £50k in 2021-22 for initial scoping consultation and design works • £170k from estates projects, which typically includes wider capital works such as fencing programmes. The remaining budget for 2021-22 is00,000.	(220,000)
Total movements compared to indicative 2021/22 figures	**(1,036,000)**

8.0 CAPITAL RESOURCES

General Fund

8.1 The resources estimated to be needed to finance the General Fund programme 2021/22 to 2025/26 totals £31.843,402 and is as follows:

	£
2021/22	19,964,037
2022/23	5,875,435
2023/24	2,938,310
2024/25	2,303,310
2025/26	762,310
Total	**31,843,402**

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

8.3 Funding is in place in 2021/22 for the Disabled Facilities Grants Scheme £670,000.

8.4 A capital receipt of £2 million has been identified for the Leisure Centre Project.

8.5 The remaining schemes for 2021/22 (£15.6 million) can be funded by either unsupported borrowing or leasing depending on value for money and for which, provision has been made in the 2021/22 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

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

	£
Use of Major Repairs Reserve	3,139,190
Right to Buy 'One for One' receipts	1,115,921
Other right to buy receipts	1,207,609
Proceeds from asset disposals	1,080,450
Section 106 Affordable Housing commuted sums	270,875
Revenue Contribution to Capital Outlay (RCCO)	2,681,804
Other usable capital balances	2,341,693

Total Resources used in 2021/22	**11,837,542**
Retained for future years	4,139,713

8.7 The amount retained for future years comprises £2.9 million right to buy one for one receipts, which can only be used to acquire or build new housing stock. The remaining £1.2m is unrestricted funding to fund future capital programmes.

8.8 Included in this year's Housing Revenue Account draft budget is a revenue contribution to capital of £4 million. This contribution is required to ensure there are resourced to fund the HRA capital programme both this year and to smooth out future capital funding requirements. This level of RCCO is in line with predictions within the Medium Term Financial Plan reported to Cabinet and Council in February 2020.

9.0 PROCUREMENT ROUTES

9.1 Where the authority is required to enter into a contract which has a value of more than £250,000 in total, more than £100,000 in any one contract year or more than five years long, Cabinet authority is required prior to award of the contract. As Cabinet is considering the budgetary implications of the Capital Programmes, it is efficient for Cabinet to consider the award of subsequent high-value contracts at the same time. Cabinet may also be asked to address a request for a waiver to the Contract Procedure Rules (CPR) for a particular selection of contract opportunities.

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

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

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

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

10.0 CONSULTATION

10.1 Corporate Scrutiny Committee have already reviewed the planned changes to the capital budgets at its meeting on the 11 November 2020. No amendments or additions were requested by the committee.

10.2 Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available via the Council's website for comment. We will also consult with tenants on the Housing Revenue Account Capital Programme. The draft budget will also be presented to Corporate Scrutiny Committee on 6 January 2021 for final comments before the final budget is presented to Cabinet and Council in February 2021 for approval.

Policies and other considerations, as appropriate	
Council Priorities:	The projects in the Capital Programmes help the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	Residents will benefit from improved leisure facilities within the district and other improved assets. Council tenants will be impacted by Council home improvements.
Economic and Social Impact:	None
Environment and Climate Change:	None at this time. At the time of writing this report, officers continue to consider the cost and resource implications of how the Council can achieve carbon neutrality by 2030.
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix A

GENERAL FUND CAPITAL PROGRAMME 2021/22 TO 2025/26

PROJECT	2020/21 Original Budget	2020/21 In year virements and 2019/20 carry forward	2020/21 Carry Forward to 2021/22	2020/21 Revised Budget	2020/21 In Year Savings	2020/21 Actual @ Period 7	2020/21 Forecast Outturn to end of year	2021/22	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	DF Grants	Capital Receipts	Reserve	Revenue	Leasing or Borrowing
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Finance System / Review	-	100,000	-	100,000	-	-	100,000	35,000	40,000	-	-	-	-	-	-	-	175,000
Server and storage additional capacity	-	14,560	-	14,560	-	14,228	14,560	-	70,000	-	-	-			14,560		70,000
User Screen Bulk Replacement	18,000	-	-	18,000	-	-	18,000	-	-	-	-	-	-	-	-	-	18,000
WI-FI Replacement	-	-	-	-	-	-	-	-	25,000	-	-	-	-	-	-	-	25,000
Website Intranet and Internet	-	-	-	-	-	-	-	-	50,000	-	-	-	-	-	-	-	50,000
LAN Switches replacement	-	-	-	-	-	-	-	-	-	50,000	-	-	-	-	-	-	50,000
WAN and DC Renewal	60,000	- 60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Firewall Security Replacement	12,000	-	-	12,000	-	5,500	12,000	-	70,000	-	-	-	-	-	-	-	82,000
Laptop Replacements	25,000	60,000	-	85,000	-	51,125	85,000	22,000	64,000	44,000	68,000	92,000	-	-	-	-	375,000
Telephony Unified Communication	-	135,092	-	135,092	-	135,092	135,092	-	-	-	140,000	-	-	-	5,092	-	270,000
Windows Server 2012 to 2019 Professional services migration	-	-	-	-	-	-	-		45,000				-	-	-		45,000
Disabled Facility Grants	670,310	- 44,996	-	625,314	-	625,314	625,314	670,310	670,310	670,310	670,310	670,310	3,976,864		-	-	-
Refuse Vehicles & Refuse Kerbsider	660,000	-	- 660,000	-	-	-	-	240,000	360,000	360,000	180,000	-	-	24,300	-	-	1,775,700
Food Waste Vehicles	-	-	-	-	-	-	-	288,320	-	-	-	-	-	-	-	-	288,320
Market Vehicles/Cars	30,000	-	- 30,000	-	-	-	-	75,000	-	30,000	-	-	-	-	-	-	135,000
Vans - Small	-	-	-	-	-	-	-	37,500	26,000	30,000	-	-	-	-	-	-	93,500
Vans - Medium	240,000	180,000	- 420,000	-	-	-	-	198,000	50,000	60,000	180,000	-	-	-	-	-	908,000
Vans - Pickup	-	-	-	-	-	-	-	90,000	90,000	25,000	81,000	-	-	-	-	-	286,000
Vans - Box Lorry	-	20,000	- 20,000	-	-	-	-	-	-	-	50,000	-	-	-	-	-	70,000
Sweeper	130,000	7,820	-	137,820	-	137,820	137,820	180,000	-	-	-	-		7,820			310,000
Digger/Misc Plant	-	-	-	-	-	-	-	172,000	-	-	-	-	-	-	-	-	172,000
Mowing	10,000	-	-	10,000	-	-	10,000	82,500	-	-	70,000	-	-	-	-	-	162,500
Electrical vehicle charging point installations	115,000	-	-	115,000	-	2,000	115,000	-	-	-	-	-	-	-	-	115,000	-
Driver ID Fobs and Tachograph download	15,000	-	-	15,000	-	3,965	15,000	-	-	-	-	-					15,000
Phase 2 Recycling Trolley's	10,000	-	-	10,000	-	-	10,000	-	-	-	-	-	-	-	-	-	10,000
GM Depot Coalville Park - Concreting Grounds	-	2,367	-	2,367	-	859	2,367	-	-	-	-	-	-	-	-	-	2,367
District Car Parks - LED Lighting Replacement	-	25,000	-	25,000	-	-	25,000	-	-	-	-	-	-	-	-	-	25,000
Leisure Project - Hood Park Leisure Centre Ashby	-	121,420	-	121,420	-	-	121,420	-	-	-	-	-	-	-	30,000	-	91,420
Leisure Project - New Leisure Centre Coalville	9,678,000	7,251,402	- 8,685,050	8,244,352	-	1,826,262	8,244,352	1,893,875	3,004,125	-	-	-	-	2,000,000	-	-	19,827,402
Memorial Clock Tower	-	-	-	-	-	-	-	30,000	-	-	-	-	-	-	-	-	30,000
Linden Way Depot - Welfare Facilities	-	92,084	-	92,084	-	-	92,084	-	-	-	-	-	-	-	-	-	92,084
Moira Furnace - Masonry & Drainage/Upgrades to Furnace and Bridge & further remedial works	-	280,000	- 280,000	-	-	-	-	-	-	-	-	-	-	-	-	-	280,000
Council Office - Replacement fire alarm & Cotag system	-	2,482	-	2,482	-	-	2,482	-	-	-	-	-	-	-	-	-	2,482
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	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000
Council Offices - Main Building - Replacement windows generally	250,000	-	- 250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	250,000
Council Offices - (Stenson House) External works to roadway outside registry office	-	5,000	- 5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Council Offices Refurbishment/Boiler heating/Lighting	-	-	-	-	-	-	-	1,576,000	591,000	709,000	864,000	-	-	-	-	-	3,740,000
Whitwick Business Centre - Installation of Solar Power	40,000	-	- 40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000
Car Park - High Street, Ibstock - Remove and Renew Gullies	35,000	-	- 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	- 47,130	-	12,870	-	-	60,000	-	-	-	-	-	-	72,870
Market Hall -Demolish and make good	75,000	-	- 75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75,000
Coalville - Cemetery - provision of a inclusive toilet	25,000	-	-	25,000	-	-	25,000	-	-	-	-	-	-	-	-	-	25,000
New Garage Roof at Coalville Park	50,000	-	-	50,000	-	-	50,000	-	-	-	-	-	-	-	-	-	50,000
The Courtyard - renew rainwater goods/door	25,000	-	- 25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Whitwick Business Centre - Upgrade CCTV	10,000	-	- 10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Market Street Car Park - Resurfacing	12,000	-	- 12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000
Ashby Town Hall Mews - installing bollard, resurfacing & relining	15,000	-	- 15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000
Marlborough Square	-	1,765,868	- 1,628,482	137,386	-	112,386	137,386	-	-	-	-	-	-	-	1,765,868	-	-
Marlborough Centre Project	-	-	-	-	-	-		1,193,000	-	-	-	-	-	-	-	-	1,193,000
New Market Provision	-	315,662	-	315,662	-	-	315,662	-	-	-	-	-	-	-	315,662	-	-
Salt Bay Cover -	-	20,000	-	20,000	-	11,440	20,000	-	-	-	-	-	-	-	-	-	20,000
Breedon on the Hill Gate	-	-	-	-	-	-		50,000					-	-	-	-	50,000
Appleby Magna Caravan Site - redevelopment	610,000	130,584	- 560,000	180,584	- 177,785	2,800	2,800	-	-	-	-	-	-	-	-	-	562,800
FHSF Public Realm	-	-	-	-	-	-		180,000	720,000	900,000			-	-	-	-	1,800,000
TOTAL GENERAL FUND	**12,920,310**	**10,564,345**	**- 12,930,532**	**10,554,123**	**- 224,915**	**2,928,792**	**10,329,208**	**7,033,505**	**5,875,435**	**2,938,310**	**2,303,310**	**762,310**	**3,976,864**	**2,032,120**	**2,131,182**	**115,000**	**33,917,445**
							cfwd	**12,930,532**									
							Total	**19,964,037**	**5,875,435**	**2,938,310**	**2,303,310**	**762,310**					

APPENDIX B

2021/22 - 2025/26 HOUSING CAPITAL PROGRAMME

	Current Year Expenditure			Five Year Capital Programme Expenditure						Restricted Funding					
	2020/21 budget	2020/21 Forecast	Forecast carry forward to 2021/22	2021/22	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	5 Year Total	Major Repairs Reserve	Right to Buy 1-for-1 Receipts	S106 Commuted Sums	Asset Disposals	Unrestricted funding	5 Year Funding Total
2019 - 2024 Home Improvement Programme:															
Home Improvement Programme	3,869,611	2,000,000	1,869,611	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000	15,893,274	-	-	-	6,606,726	22,500,000
															-
2019 - 2024 Home Improvement Programme Total	**3,869,611**	**2,000,000**	**1,869,611**	**4,500,000**	**4,500,000**	**4,500,000**	**4,500,000**	**4,500,000**	**22,500,000**	**15,893,274**	**-**	**-**	**-**	**6,606,726**	**22,500,000**
New Supply:															
Phase 2 - Police Station	27,168	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Phase 3 - Cropston Drive	202,166	354,000	-	16,336	-	-	-	-	16,336	-	4,901	-	11,435	-	16,336
Phase 4 - Various sites	2,117,056	212,000	-	2,531,983	693,778	32,400	-	-	3,258,161	-	706,123	271,325	1,491,695	789,017	3,258,161
Phase 5 - Various sites	1,464,750	195,000	-	1,773,083	20,250	-	-	-	1,793,333	-	538,000	-	-	1,255,333	1,793,333
Phase 6 - Various sites	-	-	-	-	4,661,860	64,450	-	-	4,726,310	-	1,417,893	-	45,115	3,263,302	4,726,310
Phase 7 - TBC	-	-	-	-	-	4,801,716	66,383	-	4,868,099	-	1,460,430	-	378,673	3,028,996	4,868,099
Phase 8 - TBC	-	-	-	-	-	-	4,945,767	68,375	5,014,142	-	1,504,242	-	401,394	3,108,505	5,014,142
Phase 9 - TBC	-	-	-	-	-	-	-	5,094,140	5,094,140	-	1,528,242	-	352,138	3,213,760	5,094,140
Acquisition of sites	1,556,000	3,359,410	-	760,250	1,000,000	-	-	-	1,760,250	-	90,375	-	-	1,669,875	1,760,250
New Supply Total	**5,367,140**	**4,177,410**	**-**	**5,081,653**	**6,375,888**	**4,898,565**	**5,012,150**	**5,162,515**	**26,530,771**	**-**	**7,250,206**	**271,325**	**2,680,451**	**16,328,788**	**26,530,771**
															-
Estate Improvements:															-
Mobility Scooter Stores	109,000	-	109,000	-	-	-	-	-	-	-	-	-	-	-	-
Off Street Parking	578,000	284,000	-	250,000	250,000	-	-	-	500,000	-	-	-	-	500,000	500,000
Footpaths & Unadopted Roads	100,000	-	-	50,000	100,000	100,000	100,000	100,000	450,000	-	-	-	-	450,000	450,000
Garage Demolition & Replacement	60,000	60,000	-	60,000	60,000	60,000	-	-	180,000	-	-	-	-	180,000	180,000
Place-shaping pilot	250,000	-	250,000	-	-	-	-	-	-	-	-	-	-	-	-
Estates Projects - Other	110,000	22,000	-	200,000	370,000	370,000	370,000	370,000	1,680,000	-	-	-	-	1,680,000	1,680,000
Estate Improvements Total	**1,207,000**	**366,000**	**359,000**	**560,000**	**780,000**	**530,000**	**470,000**	**470,000**	**2,810,000**	**-**	**-**	**-**	**-**	**2,810,000**	**2,810,000**
															-
Compliance:															-
Fire Risk Assessment Remedial Works	525,000	35,000	490,000	100,000	87,000	87,000	87,000	87,000	448,000	-	-	-	-	448,000	448,000
Compliance Total	**525,000**	**35,000**	**490,000**	**100,000**	**87,000**	**87,000**	**87,000**	**87,000**	**448,000**	**-**	**-**	**-**	**-**	**448,000**	**448,000**
															-
Major Aids & Adaptations	**300,000**	**225,000**	**-**	**300,000**	**300,000**	**300,000**	**300,000**	**300,000**	**1,500,000**	**-**	**-**	**-**	**-**	**1,500,000**	**1,500,000**
															-
Zero Carbon Programme	**-**	**-**	**-**	**250,000**	**-**	**-**	**-**	**-**	**250,000**	-	-	-	-	**250,000**	**250,000**
															-
Supported Housing Improvements:															-
Speech Module	250,000	-	230,000	-	-	-	-	-	-	-	-	-	-	-	-
Sheltered Housing Improvements	250,000	-	-	50,000	500,000	500,000	500,000	-	1,550,000	-	-	-	-	1,550,000	1,550,000
Supported Housing Improvements Total	**500,000**	**-**	**230,000**	**50,000**	**500,000**	**500,000**	**500,000**	**-**	**1,550,000**	**-**	**-**	**-**	**-**	**1,550,000**	**1,550,000**
															-
Active Asset Management:															-
Property Demolition	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Works - Voids	350,000	290,000	-	350,000	398,000	350,000	350,000	350,000	1,798,000	-	-	-	-	1,798,000	1,798,000
Active Asset Management Total	**450,000**	**290,000**	**-**	**350,000**	**398,000**	**350,000**	**350,000**	**350,000**	**1,798,000**	**-**	**-**	**-**	**-**	**1,798,000**	**1,798,000**
															-
Other Capital Spend:															-
New Housing Systems	24,000	343,000	-	-	-	-	-	-	-	-	-	-	-	-	-
New Finance System - HRA Share of costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Capital Spend Total	**24,000**	**343,000**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
															-
Capital Salaries	**614,000**	**608,000**	**-**	**645,890**	**645,890**	**645,890**	**645,890**	**645,890**	**3,229,450**	**-**	**-**	**-**	**-**	**3,229,450**	**3,229,450**
															-
Total Programme Costs	**12,856,751**	**8,044,410**	**2,948,611**	**11,837,543**	**13,586,778**	**11,811,455**	**11,865,040**	**11,515,405**	**60,616,221**	**15,893,274**	**7,250,206**	**271,325**	**2,680,451**	**34,520,964**	**60,616,220**

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**2021/22 CAPITAL STRATEGY**	
Presented by	Tracy Bingham Head of Finance and Section 151 Officer	
Background Papers	Capital Strategy 2020/21	**Public Report:** Yes
Financial Implications	This strategy sets out the Council's approach to capital investment over the next five years and provides a framework through which resources are allocated to help meet strategic priorities. Capital activities impact on the resources available to the council through capital financing including use of revenue and reserves, interest on borrowing and Minimum Revenue Provision.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft Capital Strategy.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMENDS ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

1. BACKGROUND

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

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

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

1.4 Members should note that the strategy is currently aligned to the Draft Capital Programmes 2021/22-2025/26 and therefore are subject to change as part of the presentation of the final budget to Cabinet and Council on 2 and 23 February 2021 respectively.

1.5 The strategy provides governance arrangements for capital including monitoring of schemes, budget profiling, deliverability and value for money and is updated annually as part of the budget setting process.

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

Policies and other considerations, as appropriate	
Council Priorities:	The strategy assists the Council to achieve all its priorities.
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:	Not applicable
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	Capital schemes and expenditure carry elements of risk. These are moderated through Compliance with the CIPFA Prudential Code, adoption of the Capital Strategy and through the Medium Term Financial Strategy, budget setting and monitoring processes implemented by the council.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

Appendix A

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) and associated plans.

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 2021/22 – 2025/26 General Fund capital programme totals £31,843,402. The programme is funded by a combination of Government grants, capital receipts, revenue, reserves and internal and external borrowing.

2.6 The 5 year 2021/22 – 2025/26 Housing Revenue Account capital programme totals £60,616,221. 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 needed in relation to the Council's asset portfolio. The PPM includes significant backlog maintenance issues across the Councils 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 21 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 two leisure centres, Ashby Leisure Centre 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 September 2022.

2.9 The following material investments will be undertaken between the period of 2021 and 2026:

2.9.1 **New Leisure Centre** – 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 commenced on site from July 2020. The forecast expenditure for 2020/21 is £8.4m and £1.9m for 2021/22.

2.9.2 **Council Offices refurbishment –** The capital programme for the Council Offices has been rolled a further financial year. This is on the basis that the capital profile presented a minimum state of maintenance and repair for the Council Building. This work remains and is a minimal obligation should the main Council offices continue to be used. However this is profiled, noting a pending decision around the future of Council accommodation. COVID-19 has both delayed this work and also changed the decision making landscape. There have been significant, and lasting changes in working behaviours and occupation levels. Council Officers are now actively reviewing the impact of these changes on previous works, with a view to committing capital expenditure in 21/22.

2.9.3 **Marlborough Centre -** The investment of £1.2m will be subject to a successful Future High Street Funding (FHSF) bid and is in line with the draft bid presented to Scrutiny and Cabinet in May 2020. The FHSF will be used to repair and refurbish the building and convert the upper floor into flats.

2.9.4 **Memorial Square** - The investment will see urban forest planting and enlargement of public space to make it a more welcoming environment and reflect Coalville's location as part of the National Forest. It will also include widening of the south side of the road at High Street, Coalville. The revised road configuration will also be undertaken at Belvoir Road, Coalville, which is the busiest of the traditional shopping streets in the town. The investment will be £1.8m in total over a three year period and is line with the draft bid presented to Scrutiny and Cabinet in May.

2.9.5 **New Supply Programme** – We plan to spend £26.5m 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 170 new homes.

2.9.6 **Home Improvement Programme** – We plan to invest £22.5m over five years to ensure our existing homes continue to meet the Government's Decent Home standard.

2.9.7 **Housing Zero Carbon Programme-** An initial £250k has been set aside to pilot works to reduce carbon emissions from our housing properties and to allow the council to match contributions required by external grants, such as the recently announced Green Homes Grant Scheme funding. This will be a significant area of investment growth over future years.

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 2021/22 to 2025/26:

	Government Grant	Developer Contributions	Borrowing	Capital Receipts	Revenue or Reserves	Total
2021/22	670,310	0	15,640,945	2,024,300	1,628,482	**19,964,037**
2022/23	670,310	0	5,205,125	0	0	**5,875,435**
2023/24	670,310	0	2,268,000	0	0	**2,938,310**
2024/25	670,310	0	1,633,000	0	0	**2,303,310**
2025/26	670,310	0	92,000	0	0	**762,310**
Total	**3,351,550**	**0**	**24,839,070**	**2,024,300**	**1,628,482**	**31,843,402**

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
2021/22	195,000	270,875	2,267,838	400,000	8,703,829	**11,837,542**
2022/23	192,000	450	2,267,113	400,000	10,727,214	**13,586,777**
2023/24	191,000	0	2,266,380	400,000	8,954,076	**11,811,456**
2024/25	191,000	0	2,265,640	400,000	9,008,400	**11,865,040**
2025/26	165,000	0	2,267,226	400,000	8,683,178	**11,515,404**
Total	**934,000**	**271,325**	**11,334,197**	**2,000,000**	**46,076,697**	**60,616,219**

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

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

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

4 GOVERNANCE AND MONITORING OF THE CAPITAL PROGRAMME

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

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

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

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

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

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

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

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

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

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

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

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

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**DRAFT INVESTMENT STRATEGY - SERVICE AND COMMERCIAL 2021/22**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Review of Medium Term Plans – Cabinet 29 September 2020 Statutory Guidance on Local Government Investments – GOV.UK	**Public Report:** Yes
Financial Implications	The strategy sets out how the Council will support local public services through investments and investing commercially. Investment activities may impact on the resources available to the Council through utilisation of reserves and through interest earned. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	None **Signed off by the Monitoring Officer**:	
Staffing and Corporate Implications	None **Signed off by the Head of Paid Service:** Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft Investment Strategy – Service and Commercial 2021/22.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMENDS ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

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 is the main purpose).

1.2 The Investment Strategy attached at Appendix A was introduced in 2019/20, meeting the requirement of statutory guidance issued by the government (see background papers). The Investment Strategy has been reviewed and updated for 2021/22.

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 outlines 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 been no changes to the limits from 2020/21.

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.

Policies and other considerations, as appropriate	
Council Priorities:	The Investment Strategy assists the Council to achieve all its priorities.
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:	Not applicable
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
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 Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

APPENDIX A

INVESTMENT STRATEGY – SERVICE AND COMMERCIAL 2021/22

1.0 This strategy focusses on two purposes:

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

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

2.0 TREASURY MANAGEMENT INVESTMENTS

2.1 The council may invest its money 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 2021/22 for treasury management investments are covered in the 'Treasury Management Strategy Statement 2021/22'.

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. The limits have not been amended from their 2020/21 levels.

Category of borrower	**2021/22 Approved Limit**
Subsidiaries	£10,000,000
Trading Company	£500,000
Suppliers	£100,000
Local Businesses	£2,000,000
Local Charities	£100,000
Housing Associations	£3,000,000
TOTAL	**£15,700,000**

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

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

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

4.0 SERVICE INVESTMENTS: SHARES

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

4.2 One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. These upper limits have been established on the basis of minimising risk without prohibiting the Council in investing commercially. In order to limit this risk, upper limits on the sum invested in each category of shares have been set. These upper limits have been established on the basis of minimising risk without prohibiting the Council in lending. The limits have not been amended from their 2020/21 levels.

Category of Company	**2021/22 Approved Limit**
Subsidiaries	£5,000,000
Trading Company	£1,000,000
Suppliers	Nil
Local Businesses	Nil
TOTAL	**£6,000,000**

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

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

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

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

5.0 COMMERCIAL INVESTMENTS: PROPERTY

5.1 The Ministry for Housing Communities and Local Government define 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 2020 £'m	Net Budgeted Surplus / (Deficit) for 2020/21 £'000	Net Forecast Surplus / (Deficit) for 2020/21 £'000	Reason Held	Notes
Industrial Units	£6.3	£262	£269	Profit Generating	
Market Hall	£1.4	(£86)	(£135)	Profit Generating	Due to the delay in opening New-Market and the impact of COVID-19, the market is currently making a loss. Once the NewMarket is open, the investment asset should return to a profit generating position.
Whitwick Business Centre	£1.8	£25	(£62)	Full Cost Recovery	Due to the number of vacant units the Business Centre is currently in a deficit position. We have employed external support to help the council lease the vacant units to ensure the property is full cost recovery in the future.
Land	£5.4	n/a	n/a	Future economic benefit	
	£14.9	**£201**	**£72**		

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 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 medium term financial plan. The forecast 2020/21 net revenue expenditure has significantly increased due to the impact on the council finances from the COVID-19 pandemic. The amount of investment income has also reduced due to the collapse in interest rates.

	2020/21 Forecast £'000	2021/22 Budget £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Net Revenue Expenditure	16,436	15,127	15,571	15,482	15,747	16,150
Investment income	97	166	271	266	(255)	(247)
Proportion	-0.65%	-1.11%	-1.85%	-1.80%	1.73%	-1.61%

6.2 As you can see from the table above, the current return on the investment income received by the Council is negative and therefore, it does not reply upon investment income to fund its revenue expenditure. The reason for this is the significant decrease in the amount interest received and the Market Hall and Whitwick Business Centre both being in deficit positions (see paragraph 5.3).

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 2021/22.

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. Full details can be found in the council's Treasury Management Strategy.

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 of the Head of Finance.

Finance Business Partner – 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 Finance Business Partner, with the exception of Inter-Local Authority transactions.

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	31/3/20 Actual £'000	31/3/21 Estimate £'000	31/3/22 Estimate £'000	31/3/23 Estimate £'000
Treasury Management investments*	0	0	3,000	3,000
Service Investments: Loans	0	0	0	0
Service Investments: Shares	0	0	0	0
Commercial Investments: Property	14,900	14,900	14,900	14,900
TOTAL INVESTMENTS	**14,900**	**14,900**	**17,900**	**17,900**
Commitments to lend	0	0	0	0
Guarantees issued on loans	0	0	0	0
TOTAL EXPOSURE	**14,900**	**14,900**	**17,900**	**17,900**

*Treasury Management Investments longer than 12months

The Commercial Investments Property reflects the valuation of the investment assets.

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	31/3/20 Actual £'000	31/3/21 Estimate £'000	31/3/22 Estimate £'000	31/3/23 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	13,100	13,100	13,100	13,100
TOTAL FUNDED BY BORROWING	**13,100**	**13,100**	**13,100**	**13,100**

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	31/3/20 Actual	31/3/21 Estimate	31/3/22 Estimate	31/3/23 Estimate
Treasury Management investments	0.82%	0.06%	0.06%	0.06%
Service Investments: Loans	0%	0%	0%	0%
Service Investments: Shares	0%	0%	0%	0%
Commercial Investments: Property	0.65%	0.16%	1.27%	2.12%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 6 JANUARY 2021

Title of Report	**TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22-2023/24**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	None	**Public Report:** Yes
Financial Implications	Interest earned on balances and interest paid on external debt impact on the resources available to the authority. During 2020, income earned on investments has been significantly less than in previous periods due to the reduction in the base rate by the Bank of England. The impact on the UK from coronavirus coupled with its exit from the European Union and arrangements with regard to future trading with Europe will remain a major influence on the Authority's treasury position in 2021/22.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None.	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide comments on the Draft Treasury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22 – 2023/24	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 2 FEBRUARY 2021 TO CONSIDER THE BUDGET REPORT AND RECOMMENDS ITS PROPOSALS TO FULL COUNCIL ON 23 FEBRUARY 2021.**	

1. INTRODUCTION

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

1.2 CIPFA have responsibility for the Treasury Management Code of Practice and Prudential Code. The Ministry for Housing, Communities and Local Government

(MHCLG) is responsible for preparing the guidance on Local Authority Investments and the guidance for 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.

1.4 In accordance with MHCLG Guidance, Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which the 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 these 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 £2,663,301 in 2021/22.
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 £9,260 in 2021/22 (General Fund - £5,876, HRA - £3,384).
h) Treasury Management and Prudential Indicators for 2021/22 to 2023/24 (Appendix E). These are designed to monitor borrowing limits, debt levels and investment returns.
i) Annual Minimum Revenue Provision Statement for 2021/22 (Appendix F). General Fund MRP is estimated at £1,001,506.

1.8 Members should note that the strategy is currently aligned to the Draft Capital Programmes 2021/22-2025/26 and therefore is subject to change as part of the presentation of the final budget to Cabinet and Council on 2 and 23 February 2021 respectively.

1.9 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.

1.10 To enable the council to maintain 'Professional' status, it is required under the MiFID (Markets in Financial Instruments Directive 2004/39/EC) regulations to maintain an investment level of at least £10m. 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.

1.11 The balance sheet forecasts indicates that only £1m would be available for investment in 2021/22 and will therefore require short term borrowing to maintain 'Professional Status' based on a £10m minimum investment. Forecasts shows the borrowing will also be required in future years to maintain the status. The council's cash flow is monitored daily for significant movements in expenditure and income. This provides a forecast of daily cash balances which determines any scope for investment as well as the need for short term borrowing. Any short term borrowing requirement for this purpose will require authorisation by the Head of Finance.

Policies and other considerations, as appropriate	
Council Priorities:	The Strategy assists the Council to achieve all its priorities.
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:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
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 Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

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APPENDIX 1

TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

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

- The Borrowing Strategy 2021/22 (APPENDIX A)
- The Debt Rescheduling Strategy 2021/22 (APPENDIX B)
- The Annual Treasury Management Investment Strategy 2021/22 (APPENDIX C)
- The Apportionment of Interest Strategy 2021/22 (APPENDIX D)
- The Treasury Management and Prudential Indicators 2021/22 to 2023/24 (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 **<u>Organisational Roles and Responsibilities</u>**

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:

<u>Section 151 Officer</u> – 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.

<u>Finance Team Manager (Deputy Section 151 Officer)</u> – 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.

<u>Finance Business Partner</u> – 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 Finance Business Partner, with the exception of Inter-Local Authority transactions.

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 including economic updates.

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 Officers on a regular basis monitor the quality of this service, 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 2020/21 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 2021/22.

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

Economic background: The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.

GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

Credit outlook: After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

6.0 <u>Outlook for UK Interest Rates:</u>

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

Bank Rate %	**Dec 2020**	**March 2021**	**June 2021**	**Sept 2021**	**Dec 2021**	**March 2022**	**June 2022**	**Sept 2022**
Upside Risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30
Arlingclose Central Case	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**
Downside Risk	-0.10	-0.20	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50

6.1.1 Underlying Assumptions

- The medium-term global economic outlook remains weak. Second waves of COVID cases have prompted more restrictive measures and further lockdowns in Europe and the UK. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise.
- Although these measures supported a sizeable economic recovery in Quarter 3, the imposition of a second national lockdown in England during November will set growth back and likely lead to a fall in GDP in Quarter 4.
- Signs of a slowing economic recovery were already evident in UK monthly GDP and PMI data, even before the latest restrictions. Despite some extension to fiscal support measures, unemployment is expected to rise when these eventually come

to an end in mid-2021.

- This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets continue to price in a chance of negative Bank Rate.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the development of a vaccine or if the UK leaves the EU without a deal.

6.1.2 Forecast

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

7.0 <u>Implications for Treasury Activity</u>

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 relevant and broadly unchanged from previous years. The treasury policies are designed to ensure that 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 of the invested capital, sufficient liquidity to permit investments and optimum yield which is commensurate with security and liquidity (SLY). A prudent approach has been taken to investment activity with propriety given to security and liquidity over yield. This approach has provided the council with a robust and reliable cashflow supporting its budget, projects and services. With the current pandemic, it is vital that these policies continue to be adopted to maintain the security of our assets, liquidity and financial stability.

7.3 With internal borrowing playing a vital role in funding the council's capital programme, reduced scope for investment is expected in the coming years. The application of SLY in future investments is as important as ever in protecting public funds.

8.0 Markets in Financial Instruments Directive (MiFID)

8.1 As reported in the Treasury Management Strategy 2020/21, 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 balance sheet forecasts on paragraph 10.1 indicates that only £1m would be available for investment in 2021/22 and will therefore require short term borrowing to maintain ‘Professional Status’ based on a £10m minimum investment. Forecasts shows the borrowing will also be required in future years to maintain the status. The council’s cash flow is monitored daily for significant movements in expenditure and income. This provides a forecast of daily cash balances which determines any scope for investment as well as the need for short term borrowing. Any short term borrowing requirement for this purpose will require authorisation by the Head of Finance.

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) open in September 2022.

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 will be used to repay £13m of loans when they mature in March 2022.

9.3 In 2018/19, Council approved a more flexible approach to using surpluses, which means they can be used to invest in capital improvements, new housing stock, service improvements or the repayment of debt. In 2021/22 budget nearly all the surpluses are due to be used to fund the HRA capital programme. The existing two annuity loans will continue to be repaid as required until they are paid off in 2027 and 2032.

9.4 The Council has submitted a Future High Streets Fund (FHSF) bid and has been through the first stage of the bidding process with central government. A business case has been submitted and if successful, funding of just over £18m could be secured to develop parts of Coalville town centre. We expect to hear before the end of 2020 whether the application has been successful or not. Any FHSF grant must be spent by 2023/2024. The council will match this project with both capital and revenue budgets funded by borrowing which needs to be considered and monitored for cashflow purposes.

9.5 The COVID-19 vaccines have now commenced rolled out to the most at risk groups in the UK. Although it seems like the virus will be around with us for quite some time and will continue to cause disruption to our lives and damage to the economy. Any further financial strain caused by the pandemic to businesses and residents in the coming months may affect their ability to pay business rates and council tax. Should this arise, this could result to deferred payments; with total default in payments as a worst outcome. These are the main income streams of the council and could have a significant impact on the council’s cashflow.

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:

	31.03.20 Act £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	31.03.26 Forecast £m
General Fund CFR	17.4	25.7	40.4	43.9	44.2	43.8	42.6
HRA CFR	71.8	70.6	56.4	55.2	54.0	52.7	51.4
Total CFR	**89.1**	**96.3**	**96.8**	**99.1**	**98.2**	**96.5**	**94.0**
Less: External Borrowing	80.1	79.0	64.8	62.6	59.8	58.6	57.3
Internal Borrowing	**9.0**	**17.4**	**32.0**	**36.5**	**38.4**	**37.9**	**36.8**
Less: Usable Reserves	45.2	39.7	22.5	18.3	16.9	15.3	9.4
Less: Working Capital Estimate	(13.6)	(12.1)	(10.6)	(9.1)	(9.1)	(9.1)	(9.1)
Investments or (New Borrowing)	49.7	34.4	1.1	-9.2	-12.4	-13.6	-18.3

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 commenced in July 2019 and is programmed to complete in September 2022. 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 2020 £m	Portfolio as at 31 Dec 2020 £m
External Borrowing:		
PWLB	71.7	71.1
Local Authorities	1.0	1.0
Banking Sector	3.9	3.9
LOBO Loans	3.5	3.5
Total External Borrowing	*80.1*	*79.5*
Other Long Term Liabilities	0.1	0.1
TOTAL GROSS EXTERNAL DEBT	**80.2**	**80.6**
Investments:		
Short Term - Managed in- house	42.0	49.2
Long Term - Managed in- house	0.00	0.00

Fund Managers– Managed Externally	0.0	0.0
Pooled Funds-Managed Externally	8.7	16.5
Total Investments	*50.7*	*65.7*
NET DEBT	**29.5**	**14.9**

There is a £11.1m temporary increase in investments due to the timing difference between the receipt of grants and expenditure.

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 2021/22.

11.0 THE COUNCIL'S APPROACH TO BEING COMMERCIAL

11.1 A 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.

11.3 The council has a Journey to Self Sufficiency (J2SS) Programme in place. The programme was due to commence in 2020/21, however the work on the programme was halted in reaction to the demands on the COVID-19 pandemic. As part of the draft budget, it is planned for the original 5 years savings plan to be 'rebased with 2021/22 as year 1.

11.4 The Corporate Leadership Team have also reviewed the programme to reflect the current operating environment, resource constraints and deliverability of commercial savings built into the programme. Recently, we have received strengthened messages from Central Government around Council's acting commercially, the most recent of which have included confirmed changes to lending conditions from the Public Works and Loans Board in respect of 'debt for yield' purposes. Combined with the change in commercial landscape as a result of COVID-19, it has been concluded that the organisation will need to focus more closely on its use of resources to deliver services in order to deliver savings and an ongoing sustainable financial position. This will necessitate a redesign of the J2SS programme.

11.5 To support the redesign and launch of the programme in the new financial year, Cabinet has already agreed for £100k to be set aside from the self-sufficiency reserve for the purposes of engaging external expertise to assist in the delivery of savings from 2021 to 2023. Work to engage support is already underway and it is planned for an agreed mobilisation plan will be available by the end of the financial year, with the new plan mobilised and inflight by April 2021.

APPENDIX A

BORROWING STRATEGY 2021/22

At the 31 March 2021, the Council will hold loans totalling £78.9m (£70.5m HRA and £8.4m General Fund). This is a decrease of £1.1m on the previous year £80m (£71.6m 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 will need to secure some short term borrowing in 2021/22and the following years to maintain its MIFID status which requires an investment balance of £10m at any one time. 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 2022/23 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 2022/23, 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 short term between one and three months) 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. As at 26th November 2020 the government reduced PWLB rates by 1% in all Standard Rate and Certainty Rates making it competitive against other sources of borrowing. Following PWLB consultation in 2020, local authorities will be asked to confirm there is no intention to buy investments assets primarily for yield in the current or next two financial years.

The Council will also 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 2021/22 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 2021/22 authorised borrowing limit of £151m, 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.

APPENDIX B

DEBT RESCHEDULING STRATEGY 2021/22

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.

APPENDIX C

ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2021/22

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 2021/22 onwards, investment levels are likely to decrease due to the use of reserves and internal borrowing to fund the capital programme, repayment of debt in 2021/22, 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.

As per Arlingclose forecast, further Bank of England interest rate cuts to zero or perhaps even to negative territory cannot be ruled out in 2021/22. This is likely to feed through on all low risk, short-term investment options. 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 2021/22. This is especially the case for the estimated £3m 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 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 COVID-19 pandemic has increased the risk that the Bank of England will set its Bank rate at or below zero, which is likely to feed through the negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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.

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

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

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

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

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

Approved Counterparties

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

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

*This was added to make it clear that the operational bank account limit as set out below is separate from the limit set on invested funds within the same banking group.

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 2020, 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 investment returns to fall, but will protect the principal sum invested.

To minimise the risk of investment losses in the case of a default, the maximum that will be lent to any one organisation (other than the UK Government) will be £6 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers’ nominee accounts, foreign countries and industry sectors as below:

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

Supplementary due diligence: the following additional steps have been implemented

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

Policy on use of Financial Derivatives

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

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

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

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

APPENDIX D

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 2021/22, the budgeted investment income is £9,260 and is apportioned as follows: £5,876 General Fund and £3,384 Housing Revenue Account. Any over or under achievement of investment income is apportioned on this basis, at the end of the financial year. With the expectation of continued low interest rates for 2021/22, the average interest rate of 0.064% between August and November 2020 was used as an estimate.

APPENDIX E

PRUDENTIAL INDICATORS

1 Background

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

CAPITAL INDICATORS

2. Estimates of Capital Expenditure

The Council's planned capital expenditure and financing is summarised in the table below. Further detail is provided in the Capital Programme report being taken to Cabinet on 08 December 2020.

Capital Expenditure	2020/21 Approved £m	2020/21 Revised £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Non-HRA	12.920	10.329	19.964	5.875	2.938
HRA	12.857	10.993	11.838	13.587	11.811
Total	25.777	21.322	31.802	19.462	14.749

Capital expenditure will be financed or funded as follows:

Capital Financing	2020/21 Approved £m	2020/21 Revised £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Capital receipts	1.071	0.404	2.424	0.400	0.400
Government Grants	0.925	0.682	0.865	0.862	0.861
Major Repairs Reserve	3.870	3.673	8.704	10.727	8.953
Reserves	0.040	0.503	1.629		
Other Contribution-S106			0.271	0.000	
Right to Buy Receipts	6.736	6.126	2.268	2.267	2.266
Grants - Other					
Revenue contributions	1.042	0.856			
Total Financing	13.684	12.244	16.161	14.257	12.481
Unsupported borrowing	12.093	9.078	15.641	5.205	2.268
Total Funding	12.093	9.078	15.641	5.205	2.268
Total Financing and Funding	25.777	21.322	31.802	19.462	14.749

3. Capital Financing Requirement

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

Capital Financing Requirement	2019/20 Actual £m	2020/21 Est £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m	2024/25 Est £m
Non-HRA	17.4	25.7	40.4	43.9	44.2	43.8
HRA	71.8	70.6	56.4	55.2	54.0	52.7
Total CFR	**89.1**	**96.3**	**96.8**	**99.1**	**98.2**	**96.5**

The General Fund CFR is forecast to rise over the medium term. This is in line with the Capital programme schemes that are financed by debt. The detail of these schemes can be found in the capital report presented to Cabinet at the same meeting as this strategy.

4. Gross Debt and the Capital Financing Requirement

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

Debt – as at 31 March	2020 Act £m	2021 Est £m	2022 Est £m	2023 Est £m	2024 Est £m
Borrowing	80.117	78.963	64.783	62.576	59.843
Transferred Debt	0.090	0.082	0.075	0.068	0.061
Total Debt	**80.207**	**79.045**	**64.858**	**62.644**	**59.904**

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

5. Authorised Limit and Operational Boundary for External Debt

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

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

Operational Boundary for External Debt	2020/21 Approved £m	2020/21 Revised £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Borrowing	138.380	141.094	148.807	142.895	140,796
Other Long-term Liabilities	0.500	0.500	0,500	0,500	0,500
Total	**138.88**	**141.594**	**149.307**	**143.395**	**141.296**

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

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

Authorised Limit for External Debt	2020/21 Approved £m	2020/21 Revised £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Borrowing	140.380	143.094	150.807	144.895	142.796
Other Long-term Liabilities	0.700	0.700	0.700	0.700	0.700
Total	**141.08**	**143.794**	**151.507**	**145.595**	**143.496**

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

6. Ratio of Financing Costs to Net Revenue Stream

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

Ratio of Financing Costs to Net Revenue Stream	2019/20 Actual %	2020/21 Approved %	2020/21 Revised %	2021/22 Est %	2022/23 Est %	2023/24 Est %
Non-HRA	5.64	6.45	6.96	9.92	15.06	16.37
HRA	12.52	12.24	12.24	11.68	9.94	9.49
Total (Average)	**9.58**	**9.48**	**11.42**	**13.05**	**12.40**	**12.17**

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 2021/22 following repayment of £13m of loans, which reduces interest costs by £339k.

7. Incremental Impact of Capital Investment Decisions

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

Incremental Impact of Capital Investment Decisions	2020/21 Approved £	2020/21 Revised £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £
Increase in Band D Council Tax	6.44	6.39	10.30	11.43	11.61
Increase/(Decrease) in Average Weekly Housing Rents *	4.31	0	(2.11)	3.34	1.55

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

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

TREASURY MANAGEMENT INDICATORS

8. Upper Limits for Fixed and Variable Interest Rate Exposure

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

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

	Existing (Benchmark) level 31/03/20 %	2020/21 Approved %	2020/21 Revised %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Upper Limit - Fixed Interest Rate Exposure	100	100	100	100	100	100
Upper Limit - Variable Interest Rate Exposure	50	50	50	50	50	50

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

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

9. Maturity Structure of Fixed Rate borrowing

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

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

Maturity structure of fixed rate borrowing	Lower Limit for 2021/22 %	Upper Limit for 2021/22 %
under 12 months	0	0
12 months and within 24 months	0	60
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	40
30 years and within 40 years	0	70

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.

	2020/21 Approved £m	2020/21 Revised £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Upper Limit	12	12	12	5	5

The reduction of the Upper Limit from 2022/23 onwards is in line with the capital expenditure expected on the leisure project and to ensure liquidity is maintained.

APPENDIX F

ANNUAL MINIMUM REVENUE PROVISION STATEMENT

Background

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

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

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

Following the payment made to exit the Housing Revenue Account subsidy system for the new self-financing arrangements from April 2012, MRP will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment. The structure of the debt that was incurred to fund the self-financing was based on the principal being repaid over the life of the HRA business plan, which also takes into account the 'old' HRA debt. For 2021/22, 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:

<u>Option 1 – Regulatory Method.</u>

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

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

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

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

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

MRP Policy for 2021/22:

- 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 2021/22 budget for General Fund MRP will be £1,001,506. The HRA will repay £13,000,000 of debt in 2021/22 through the two majority loans.

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