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Meeting	**CORPORATE SCRUTINY COMMITTEE**
Time/Day/Date	6.30 pm on Wednesday, 5 January 2022
Location	Council Chamber, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATION OF INTERESTS**	
	Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary.	
3.	**PUBLIC QUESTION AND ANSWER SESSION**	
	To receive questions from members of the public under rule no.10 of the Council Procedure Rules. The procedure rule provides that members of the public may ask any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Support Services.	
4.	**MINUTES**	
	To approve and sign the minutes of the meeting held on 8 December 2021	**3 - 8**
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.	**9 - 22**
6.	**NORTH WEST LEICESTERSHIRE VISITOR ECONOMY PLAN**	
	Report of the Head of Property and Regeneration	**23 - 32**
7.	**PRUDENTIAL INDICATORS AND TREASURY STRATEGIES 2022-23**	
	Report of the Head of Finance	**33 - 70**

8. **RECOMMENDATIONS OF THE SCRUTINY CROSS PARTY WORKING GROUP - SCRUTINY WORK PROGRAMMING**

Report of the Strategic Director **71 - 76**

Circulation:

Councillor R Boam (Chairman)
Councillor B Harrison-Rushton (Deputy Chairman)
Councillor E G C Allman
Councillor D Bigby
Councillor A J Bridgen
Councillor G Hoult
Councillor A C Saffell
Councillor S Sheahan
Councillor N Smith
Councillor M B Wyatt

MINUTES of a meeting of the CORPORATE SCRUTINY COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 8 DECEMBER 2021

Present: Councillor

Councillors E G C Allman, D Bigby, A J Bridgen, G Hoult, A C Saffell, S Sheahan, M B Wyatt, J Bridges (Substitute for Councillor R Boam), V Richichi (Substitute for Councillor B Harrison-Rushton) and J G Simmons (Substitute for Councillor N Smith)

In Attendance: Councillors

Portfolio Holders: Councillors R D Bayliss and A C Woodman

Officers: Ms K Barnshaw, Mr A Barton, Mr D Bates, Mr C Colvin, M D'Oyly-Watkins, Mr C Elston, Mr C Lambert, Mr P Sanders, Mrs R Wallace, Miss E Warhurst and Mr P Wheatley

29. APPOINTMENT OF CHAIR

Members were informed of apologies received from both the Chair and Deputy Chair of the Committee and were therefore asked for nominations for a Chair for the remainder of the meeting.

It was moved by Councillor A Bridgen, seconded by Councillor V Richichi and

RESOLVED THAT:

Councillor J Bridges take the Chair for the remainder of the meeting.

30. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Boam, Harrison-Rushton and N Smith.

It was noted that Councillor N Smith was currently unwell, and the Committee joined the Chair in sending him their best wishes.

31. DECLARATION OF INTERESTS

Following advice from the Monitoring Officer, Councillor S Sheahan declared an interest in item 6 – Draft Budget Proposals and Council Tax 2021/22 as a property owner affected by the proposed HS2 route. If a discussion was had on this matter directly during the item, he would leave the meeting and not take part in the debate.

Following advice from the Monitoring Officer, Councillor M B Wyatt declared an interest in item 6 - Draft Budget Proposals and Council Tax 2021/22 as a business owner in Coalville Town Centre. If a discussion was had on this matter directly during the item, he would leave the meeting and not take part in the debate

32. PUBLIC QUESTION AND ANSWER SESSION

None

33. MINUTES

Consideration was given to the minutes of the meeting held on 10 November 2021.

It was moved by Councillor G Hoult, seconded by Councillor A C Saffell and

RESOLVED THAT:

The minutes of the meeting held on 10 November 2021 be approved as a correct record.

34. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

Consideration was given to the inclusion of any items to the work programme. The plan of forthcoming Cabinet decisions and the current work programme were set out in the agenda for information.

A concern was raised on the earlier budget reporting timescales than in previous years considering the uncertainty of the funding position. The Head of Finance reported that although the funding for the general fund was uncertain at the time the report was published, the Local Government Finance Settlement was expected the following week and once received, all Members would receive a thorough briefing note.

35. DRAFT BUDGET PROPOSALS AND COUNCIL TAX 2022/23

The Head of Finance presented the report to Members outlining the draft budget proposals for the financial year 2022/23.

During the full discussion, several questions of clarity were sought and answered by the Head of Finance or appropriate Head of Service.

The following comments were made in relation to the draft General Fund Budget 2022/23:

In relation to the significant amount of funds held in the Journey to Self Sufficiency fund, as well as reserves, it was questioned if more should be being spent in the district. The Head of Finance agreed to pass this comment onto Cabinet.

It was confirmed that the additional cost reported for Customer services included the use of the business unit in Coaville town centre for the Customer Services Centre. A Member felt that they had been misinformed during conversations earlier in the year in relation to the budget available for the use of this business unit. The Chair noted the comment and asked officers to provide a response outside of the meeting.

The purchase of the Marlborough Square unit for renovation was noted, Members were pleased with the outcome as the unit was currently in a poor state and made the area look untidy.

It was asked if consideration had been given to increasing business rates or decreasing business rate relief due to the reduction in New Homes Bonus and other revenue income. The Head of Finance confirmed that business rates were set by central government and therefore as a local authority, there was no power to control it.

A discussion was had on the percentage of business rates retained by local authorities, and it was confirmed that it was unlikely to change from the current rate of 50 percent. It was noted that a small percentage of any growth was also retained. A Member raised concerns of the continuing use of the New Homes Bonus for the general fund due to the uncertainty of it.

A concern was raised about the ongoing financial impact of Covid-19 as it was hardly mentioned throughout the report, officers were asked if the proposals made any allowances for the future costs. The Head of Finance responded that funds had already been received to cover some of the costs and there would be a continued 71.5 percent compensation for loss of income, however there was no compensation for loss of leisure income. In response to a further question, it was confirmed that the budget shortfall was largely down to Covid-19 related losses and the Head of Finance was not currently aware of any other significant funding available, therefore the Council would need to bear these costs.

In response to a question about the additional costs under service development for the Coalville feasibility study, the Head of Community Services confirmed that it was a different piece of work to that done previously which was looking at how the decommissioned Hermitage Leisure Centre could be linked into the regeneration of the area. This was still very much a work in progress.

Several questions were raised in relation to the loss of roles within a number of teams as part of the proposed cost savings. The relevant Head of Service updated Members on the vacant roles and historical budgets no longer required.

At 7.17pm the discussion briefly referred to HS2, therefore Councillor S Sheahan declared a pecuniary interest and left the meeting. He returned at 7.20pm.

A Member referred to the recent confirmation that the HS2 route would be running through the district and it was noted that there was no beneficial element to that decision within the budget proposals. The Head of Planning and Regeneration reported that this was something being constantly monitored and even with the savings put forward within the proposals, he was confident that there would be adequate budget for the support required.

In response to a query about the lack of increase in fees and charges for planning applications, the Head of Planning and Regeneration explained that although there had been a rise in applications, it had been predicted that there would be a drop in income as in the previous year. As fee income was quite difficult to predict, the proposal was to keep the fees and charges at the current level. Officers noted the suggestion to consider the introduction of different levels of charges for commercial applications however they are in the main set nationally.

Reference was made to the proposal to stop offering free parking in Coalville Town Centre over the Christmas period, Members felt this would not be welcomed in the community.

A discussion was had on the proposed charge for additional garden waste bins and concern raised on the impact it could have on already high levels of fly tipping. The Head of Community Services reported that a charge for additional bins was not unusual, many local authorities had a similar scheme including our neighbouring authorities. Members were also informed that there was no evidence that charging for additional bins was linked to higher levels of fly tipping. It was noted that feedback from current additional bin owners was very positive. A suggestion was made to consider providing a second bin for free and charging for an optional third bin, officers were asked to undertake further research with residents. It was reported that best practice was shared regionally, and that the current offer of a free first bin was generous in comparison.

In response to a question in relation to the significant increase in the Human Resources budget, the Head of Finance explained that the Covid-19 funding received from central government was placed into this budget. It was agreed for a breakdown to be provided to Members outside of the meeting.

A discussion was had on the cost of finance which was predicted to increase significantly over the next three years, it was questioned if it was due to the borrowing already incurred or future activity. The Head of Finance explained that the cost had risen due to the new leisure centre and the support required for the service going forward. It was confirmed that future borrowing would be for the leisure service and other projects but there were caps in place. Members were reassured that currently most of the borrowing was internal so interest rates were minimal, but this could change in the future as capital reduced and therefore there may be a need to look at external sources.

The following comments were made in relation to the draft Housing Revenue Account Budget 2022/23:

A concern was raised on the maximum increase in rates at a time when people were already struggling. The Head of Housing explained that the rent increase was determined by a central government formula and calculation, therefore it was not a decision of our own. He added that the increase was necessary to allow for maintenance of the housing stock and the continuation of the home improvement scheme.

In response to a question, the Head of Housing confirmed that rents did routinely increase when a property became vacant as required under government regulations, however he would check if that also applied to tenancy transfers and confirm outside of the meeting.

A Member highlighted the proposed increase in service charges, and it was questioned if it was necessary. The Head of Housing confirmed that this was predominantly due to rising energy costs and it was felt that the 20 percent proposed was prudent. It was noted that officers were continuing to look at ways to reduce these costs but unfortunately the current rise in energy prices had affected everyone. The Portfolio Holder also spoke in support of the proposal.

The following comments were made in relation to the Capital Programmes 2022/21 – 2026/27:

A discussion was had on the key changes to the Housing Revenue Account Capital Programme, particularly the allocation of funds towards the zero-carbon programme and the reduction of the size of the new build and supply programme. Some Members were concerned that the Council would be unable to deliver the new build properties as promised due to this unnecessary trade off and questioned if there was another way to fund the zero-carbon programme. The Head of Housing stated that the provision was to fund works to reduce the carbon emissions from over 2,000 council homes and was a necessary part of the zero-carbon programme. It was also noted that grants were available which could pay for a third of the costs but could not be guaranteed at this stage. Members were assured that it would be monitored and any surplus funds from the estimated proposals would be reallocated. In relation to the concerns expressed, the Head of Housing was confident that the programmes could be delivered, officers were continuously looking at ways to replenish the housing stock and if other opportunities arose, then there was the option to borrow funds if necessary.

Reference was also made to the recent resolution by Cabinet to adopt the target of 1000 affordable homes over a five-year period, and concerns were raised that the reduction in capital budget would have an impact on this target. The Head of Housing was confident that the target could be achieved as the budget was available.

It was confirmed that the reduction in the capital programme due to the leisure centre was down to phasing issue rather than a saving as the contract was a fixed price and was due to be completed earlier than expected.

The Chair thanked Members for their contributions and confirmed that all comments would be presented to Cabinet when considering the budget proposals.

36. CUSTOMER SERVICES STRATEGY

The Customer Services Lead presented the report to Members providing an overview of the proposed strategy.

A concern was raised about the proposed new way of working, particularly in relation to the relocation of the customer service centre into the town centre of Coalville. It was claimed that some local residents did not support the use of a business unit in the town centre for this purpose. An observation was also made on the use of the five priorities within the Council's Delivery Plan that were referred to within the document as it was felt by a Member that there was little evidence to support that these were being achieved.

Officers noted the comments and reminded members that Cabinet had already made the decision about the form and location of services, the report was related to the overall Customer Services Strategy and its delivery.

A comment was made that the strategy needed to be carefully considered to ensure it delivered what promised. It was agreed that putting the customers at the heart of the service was important, but it should be in conjunction with other priorities as it would not be achieved in isolation.

A suggestion was made to include further detail about how much more efficient the service would be with digitalisation as it was a huge move forward and therefore would be helpful to see the impact.

A discussion was had on the how the digitalisation of the service would affect the people in the district that are unable to access services, some concerns were expressed that these people would be left behind. Members were reassured that the strategy did recognise that there would always be customers who would require face to face or telephone support and this service would continue to be available. Members were reminded that there was a three-year digitalisation plan in progress which included an element of support for residents to enable them to learn how to self-serve which would benefit them as well as the Council. The Portfolio Holder acknowledged the concerns and also reassured Members that support would be available for residents in whichever form they required.

A suggestion was made to supply these services in other areas of the district to allow residents outside of Coalville easier access to the face-to-face support. Members were reminded of the survey work informing the strategy which highlighted that the need identified for face to face in other locations was very low.

A Member urged officers to ensure that the system used for self-serve was accessible on all user platforms as it was important to not put obstacles in people's way that could deter them from using the service.

During a discussion on the format of the strategy, a comment was made that it was a lengthy document that contained technical language. It was also felt that more detail on the three-year plan could have been included.

The cost of educating residents in the use of self-serve was questioned, along with the resources required to deliver it. It was confirmed to Members that this would be covered within the resources for the new Customer Services Centre.

The Chair thanked Members for their contributions and confirmed that all comments would be presented to Cabinet when considering the strategy.

Councillor E Allman left the meeting at 8.06pm following the conclusion of Draft Budget Proposals and Council Tax 2022/23 item.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.30 pm

Chairman's initials

Corporate Scrutiny Committee – WORK PROGRAMME (as at 17/12/21)

Date of Meeting	Item	Lead Officer	Witnesses	Agenda Item Duration
9 March 2022				
9 March 2022	2021/22 Quarter 3 Performance Report	Mike Murphy, Head of Human Resources and Organisational Development	-	15 minutes
9 March 2022	Housing Asset Management Plan 2021/2023	Jas Singh, Housing Asset Management Team Manager	-	15 minutes

Requests for Items – None at present

Date request Received	Requested by	Summary of request	Consideration by scrutiny Y/N	Reasons
-	-	-	-	-

Principles and Criteria used for Assessing Items Put Forward

Identify Issues for consideration by Scrutiny

- Consulting with members of Scrutiny Committees, senior officers, Cabinet members – horizon scanning on policy development
- Looking at the corporate priorities, Council Delivery Plan and Cabinet Forward plan – identify key issues/topics for investigation/inquiry

- Considering events and decisions in the Council's calendar which could require an input/consultation via scrutiny – eg budget setting, CDP development
- Considering requests from members – eg via another forum or scoping report submitted
- Evaluating the Council's performance – eg quarterly reports, end of year reports, reviewing success of a particular scheme or initiative
- Reviewing any follow up work required after previous scrutiny work

Prioritise the potential list of scrutiny topics based on factors including

- the resources required to deliver it (from members, offices and financially)
- the value and level of impact which could be achieved
- link to the council's priorities
- whether it is a regular recurring item which requires consideration before Cabinet/Council approval
- consideration of the guidance for selecting scrutiny topics

Topics **are** suitable for Scrutiny when	Topics **are not** suitable for Scrutiny when
Scrutiny could have an impact and add value	The issue is already being addressed elsewhere and change is imminent
The topic is of high local importance and reflects the concerns of local people	The topic would be better addressed elsewhere (and will be referred there)
The resources are available that would be required to conduct the review – staff and budget	Scrutiny involvement would have limited or no impact on outcomes
It avoids duplication of work elsewhere	The topic would be sub-judice or prejudicial to the councils interests
The issues is one that the committee can realistically influence	The topic is too broad to make a review realistic
The issue is related to an area where the council or one of its partners is not performing well	New legislation or guidance relating to the topic is expected in the next year

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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.

The date of publication of this notice is Friday, 31 December 2021. The Deadline for making any representations as to why items marked as private should be considered in public by **Cabinet on 1 February 2022 is 5pm Friday, 21 January 2022.**

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 Infrastructure	Councillor N J Rushton	-	Corporate
Councillor T Gillard	-	Business and Regeneration	Councillor R D Bayliss	-	Housing, Property & Customer Services
Councillor K Merrie MBE	-	Planning			

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 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
January 2022							
Draft Budget and Council Tax 2022/23	Cabinet	Key	Public	11 January 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Report Draft Budget and Council Tax 2022/23	Corporate Scrutiny - 8 December 2021
Housing Revenue Account Disposal and Acquisition Update	Cabinet	Key	Part Private Information relating to the financial or business affairs of any particular person (including the authority holding that information) The report proposes to dispose of properties on the open market and provides independent estimations of the potential value of the property. This information is considered to be commercially sensitive at this stage of the processand is contained in the appendix.	11 January 2022	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Housing Asset Management Team Manager jas.singh@nwleicestershire.gov.uk	Disposal Policy approved by Cabinet on 21 September 2021 Housing Revenue Account Disposal and Acquisition Update	Decision being sought under approved Disposal Policy

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
Appointment of Contractor to complete Green Homes Grant Phase 1B Extension works to 30 properties	Cabinet	Key	Part Private Information relating to the financial or business affairs of any particular person (including the authority holding that information) Appendix will contain confidential business information.	11 January 2022	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Head of Housing Tel: 01530 454780 chris.lambert@nwleicestershire.gov.uk	Report. Appointment of Contractor to complete Green Homes Grant Phase 1B Extension works to 30 properties	Due to the timelines of the decision being made, it is going direct to Cabinet.
Zero Litter Campaign	Cabinet	Key	Public	11 January 2022	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Zero Litter Campaign	29/09/21 Dog Fouling, Fly Tipping and Littering Update
Customer Service Strategy	Cabinet	Key	Public	11 January 2022	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 andy.barton@nwleicestershire.gov.uk	Customer Service Strategy	Corporate Scrutiny Nov 21

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
Council Tax Base 2022/23	Cabinet	Key	Public	11 January 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Council Tax Base 2022/23	Not to be considered by a Scrutiny Committee - The calculation of the council tax base is prescribed in statute
February 2022							
Empty Properties	Cabinet	Key	Private Information relating to any individual. Information relating to the financial or business affairs of any particular person (including the authority holding that information)	1 February 2022	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Empty Properties	Not being considered by Scrutiny as decision being sought under approved Returning Houses to Homes Policy
Budget and Council Tax 2022/23	Cabinet	Key	Public	1 February 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Report Budget and Council Tax 2022/23	Will have already been considered by Scrutiny and public consultation carried out

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
2022 - 2027 Medium Term Financial Plans	Cabinet	Key	Public	1 February 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk		Corporate Scrutiny Committee - 1 September 2021
Treasury Management Strategy Statement 2022/23 and Prudential Indicators 2022/23 - 2024/25	Cabinet	Key	Public	1 February 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Treasury Management Strategy Statement 2022/23 and Prudential Indicators 2022/23 - 2024/25	Corporate Scrutiny Committee - 5 January 2022
Investment Strategy - Service and Commercial 2022/23	Cabinet	Key	Public	1 February 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Investment Strategy - Service and Commercial 2022/23	Corporate Scrutiny Committee - 5 January 2022

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
Marlborough Square Public Realm	Cabinet	Key	Public	1 February 2022	Councillor Richard Blunt Tel: 01530 454510 richard.blunt@nwleicestershire.gov.uk Head of Economic Regeneration Tel: 01530 454 354 paul.wheatley@nwleicestershire.gov.uk	Report and appendices Marlborough Square Public Realm	To be considered at Scrutiny on 26th October 2021
Minutes of the Coalville Special Expenses Working Party	Cabinet	Key	Public	1 February 2022	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	Coalville Special Expenses Working Party - 14 December 2021
North West Leicestershire visitor Economy Plan	Cabinet	Key	Public	1 February 2022	Councillor Tony Gillard Tel: 01530 452930 tony.gillard@nwleicestershire.gov.uk Head of Economic Regeneration Tel: 01530 454 354 paul.wheatley@nwleicestershire.gov.uk	North West Leicestershire visitor Economy Plan	Corporate Scrutiny Committee - 5 January 2022

1 March 2022

There are no items to be considered.

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
29 March 2022							
2021/22 Quarter 3 Performance Report	Cabinet	Key	Public	29 March 2022	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	2021/22 Quarter 3 Performance Report	Corporate Scrutiny Committee - 9 March 2022
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Key	Public	29 March 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs 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. Under the constitution Cabinet are required to approve write-offs over £10,000.

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
North West Leicestershire Economic Growth Plan 2022	Cabinet	Key	Public	29 March 2022	Councillor Tony Gillard Tel: 01530 452930 tony.gillard@nwleicestershire.gov.uk Head of Economic Regeneration Tel: 01530 454 354 paul.wheatley@nwleicestershire.gov.uk	North West Leicestershire Economic Growth Plan 2022	To be considered by Community Scrutiny Committee 9 February 2022.
April 2022							
There are no items to be considered.							
June 2022							
Treasury Management Stewardship Report 2021/22	Cabinet	Key	Public	7 June 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Treasury Management Stewardship Report 2021/22	Audit and Governance Committee - 20 April 2022

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
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Key	Public	7 June 2022	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Finance Tel: 01530 454 707 dan.bates@nwleicestershire.gov.uk	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs 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. Under the constitution Cabinet are required to approve write-offs over £10,000.
Minutes of the Coalville Special Expenses Working Party	Cabinet	Key	Public	7 June 2022	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	Coalville Special Expenses Working Party - 27 April 2022

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 5 JANUARY 2022

Title of Report	**NORTH WEST LEICESTERSHIRE VISITOR ECONOMY PLAN**	
Presented by	Paul Wheatley Head of Property and Regeneration	
Background Papers	Leicester And Leicestershire Tourism Growth Plan 2019 NWL Draft Tourism Strategy Scrutiny Report 20th November 2019 STEAM Report for NWL 2009 to 2020 NWL Review Of Cultural Services 2021 – Fathom Consulting All reports available from Economic Development Team Council Offices, Coalville	**Public Report:** Yes
Financial Implications	The plan will be delivered within existing budget resources **Signed off by the Section 151 Officer**: Yes	
Legal Implications	Tourism and Visitor Economy Activities are a discretionary function **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	All staffing implications will be dealt with under the authority of the Head of Paid Service and in line with the Employment Stability Policy. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To present revised priorities for the council's "Visitor Economy Service Plan", which have been designed to improve sector performance and address service weaknesses identified by stakeholders.	
Recommendations	**THAT SCRUTINY BE REQUESTED TO COMMENT ON THE FOUR PRIORITIES SET OUT IN THE REPORT WHICH WILL INFORM THE NWL VISITOR ECONOMY SERVICE PLAN**	

	AHEAD OF ITS CONSIDERATION BY CABINET ON 2 FEBRUARY 2022

1.0 INTRODUCTION

1.1 This Local Authority has a proud tradition of supporting tourism in the district, which stretches back more than 25 years and includes being instrumental in the development of attractions of regional importance such as Conkers, Moira Furnace, Snibston Pitheads and Ashby Canal.

1.2 Whilst North West Leicestershire may not have the same tourist appeal as many of the UK's National Parks, historic cities or coastal resorts, there is a recognition that tourism or the "Visitor Economy" plays a significant part in the economic fortunes of places like North West Leicestershire, particularly helping to broaden the range of employment opportunities on offer to our residents.

1.3 Although North West Leicestershire has not been a traditional place to holiday, many of the positive changes to the local environment that have occurred over the last 30 years, combined with a renewed interest in industrial heritage and an increased focus on short-breaks and staycations has presented an opportunity for to the council and partners to achieve more.

1.4 It is also worth noting that tourism is a proven way to bring new money into an area (through visitor spend) rather than simply circulating existing wealth.

2.0 OUR SERVICE

2.1 In 2019 Leicestershire County Council commissioned a report entitled "Leicester and Leicestershire Tourism Growth Plan". This was intended to act as an "umbrella policy" to inform plans at the district/ borough and city level across Leicestershire.

2.2 Following on from the production of this county level report, this council appointed Leicestershire Promotions Ltd to produce a tourism strategy for the North West Leicestershire District. This strategy was presented to Community Scrutiny Committee in November 2019 and received support from that group.

2.3 Unfortunately, shortly following the presentation to scrutiny, the normal workings of the council were disrupted by the Covid Pandemic and as a result the Draft Strategy was not put before Cabinet for formal adoption.

2.4 In the absence of an adopted Tourism Strategy for the district our Cultural Services activities delivered by the Cultural Services Team have not yet evolved

2.5 This council currently invests £367,000 (net) per annum into supporting the Visitor Economy in the form of staff time, commissions, grants and service level agreements associated with tourism, arts, heritage and commemorative activities.

2.6 It should be noted that the figure of £367,000 per annum includes £55,000 from Coalville Special Expenses provided for the arrangement of events in the town.

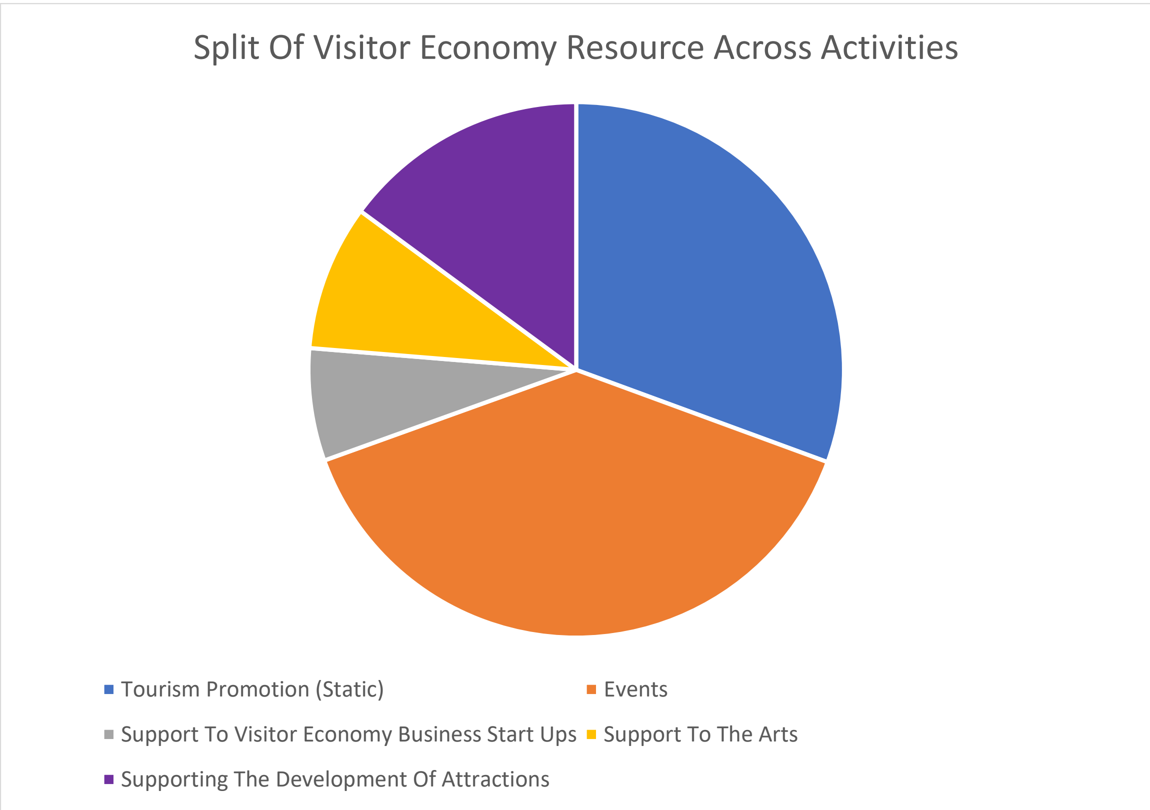
2.7 All implications of the changes proposed in this paper can be accommodated within the existing service budget.

2.8 The proposals put forward in the Draft Tourism Strategy presented to Scrutiny in November 2019 have been revisited (given the time that has passed and the subsequent impact of the Covid restrictions on the behaviour of tourists). Further insight into the operation of the local Visitor Economy sector has also been gathered through an engagement exercise with local sector stakeholders and partners. These resources have been used to develop this new paper to scrutiny which is intended to seek a reaffirmation of support for the council's revised visitor economy sector interventions and activities as set out later in this paper.

2.9 The key observations made in the 2019 report and reiterated through the 2021 engagement exercise are that our current activities can be summarised as:

- To promote our attractions and events to our residents and their visitors, with only very limited efforts to promote beyond our district borders.
- To provide some support to a few of our attractions to grow by providing small amounts of core funding to the operators.
- To organise and run "events" which provide something to do for local residents
- To provide grants to support arts organisations to overcome operational deficits
- To provide a small amount of advice to start up visitor economy businesses

2.10 The approximate split of resource between the various activities in our current visitor economy plan is shown on the following pie chart.



3.0 WHAT ARE OUR ASPIRATIONS?

3.1 Through the adoption of the 2021-23 Council Delivery Plan, this authority has already pledged itself to delivering significant growth within the local visitor economy. The Council has committed to the following measurables (taking the updated 2019 figures from the STEAM Report as the baseline)

- Develop our “visitor economy” offer to encourage dwell time, local spend and investment in new and improved attractions.

- Increase the number of jobs in the tourism sector in the District by 2% per annum.

- Increase annual visitor spend by 2% per annum

- Increase the number of overnight stays in NWL year on year by 2%

4.0 HOW ARE WE PERFORMING?

4.1 STEAM Reports are a well-respected measure of the performance of an area’s visitor economy, providing key statistics such as value of tourism, number of visitors and number of jobs supported within the sector, within a defined geography.

4.2 Many Local Authorities have subscribed to the STEAM Reports over a sustained period of time and use the trend data that is built up year on year to guide their Visitor Economy action plans.

4.3 North West Leicestershire District Council has access to STEAM Report data for its area for each year from 2009 to 2020.

4.4 Changes in the data between 2019 and 2020 are of interest as they show the impact of Covid Restrictions on the NWL Visitor Economy. Headline figures indicate that between 2019 and 2020 there was a 63% reduction in the number of tourist visits to the district which resulted in a similar sized decrease in the value of the sector to the local economy. Employment numbers within visitor focused businesses also reduced by 59% over the period.

4.5 Figures evidencing whether there has been a natural “bounce back” of the sector in 2021 (following the relaxation of covid restrictions) won’t be available until early summer 2022. Anecdotal reports from local attractions however would indicate that they have had a good 2021 season.

4.6 Of potentially greater importance to NWLDC (as part of a review of the activities and services it delivers as its visitor economy offer) are the longer-term trends in sector performance. Particular points to note are:

- Between 2009 and 2019 (excluding Covid Impacts) the value of tourism to the local economy (adjusted for inflation) grew at an average of 1% per annum. Strongest growth was between 2013 and 2016 but since then the value has actually begun to decline. This would seem to indicate that either visitors are spending less or alternatively that the margins (between revenues and costs) for visitor economy businesses are being squeezed.

- Over the same period the number of visitors per annum grew by 247,000 or 0.77% per annum average.

- In terms of employment there were 203 additional jobs in the sector at the end of the 10 year period and growth was 0.8% per annum average.

- Overnight stays in serviced accommodation (use of hotels etc) saw an average increase of 2.2% per annum

4.7 From analysis of the available data officers believe that

- whilst the interventions delivered by the Cultural Services Team has delivered modest growth over the last 10 years there is evidence (pre-covid) that the historic levels of growth have plateaued and even started to decline.

- It is unclear whether continuing to deliver the current workplan activities will be sufficient to deliver the levels of growth set out in the Council Delivery Plan even adjusting for covid impact.

5.0 THE REVIEW

5.1 As referenced earlier in this report, this council has commissioned a number of reports to inform it how it might revise its visitor economy interventions and activities to support better levels of growth in the sector locally. Most recently Fathom Consulting have been employed to engage with key businesses and partners within the local Visitor Economy Sector to establish how these stakeholders believe the Council can best support them.

5.2 This information has been accorded particular weight in developing an updated plan of activities and interventions to be delivered by the team (which we have chosen to refer to as our new Visitor Economy Plan) because it reports comments made by businesses or organisations actually engaging with tourists and indicates how they would like us to help them, rather than being Council Officer opinion.

5.3 Fathom Consulting compiled their report following detailed interviews with a significant number of stakeholders drawn from across our district. Issues or actions that received a high incidence of reference were drawn into the report recommendations.

5.4 The comments / suggestions (as to how the council could improve its support to the sector) most frequently made were as follows:

- Focus on Place, [visitor] Experience and Enterprise/Economy.
- Linking of heritage assets and a focus on industrial heritage (district and county).
- Prioritise the physical development of the Heart of the National Forest and the ‘emerging destination’ status.
- Support the [local] tourism sector through co-ordination, commissioning, funding advice, networking, organisational support (charity/volunteer sector delivering tourism services) and facilitation (bringing the sector together, supporting collaboration).
- Introduction and growth of a digital (web and social media) platform for the district (linking with towns/villages).
- Refocused promotional resources from static locations (TIC) which can only be accessed by a few, to investment in boarder tourism priorities.

6.0 EVOLVING OUR SERVICE

6.1 Stakeholders within the local Visitor Economy Sector recognise the value of the services and support we currently provide to them. In no way is there a push for wholesale change, more a suggestion of greater focus and moving with the times.

6.2 Whilst more investment would be welcomed, it is recognised that in the current financial climate it is unlikely to be feasible for the council to invest more into the Visitor Economy.

6.3 There appears to be a recognition that any new activities will need to be funded through savings achieved by ending or reducing other activities. Stakeholders have given some indications of where they believe we could reduce our activities without detriment to them, but officers also recognise that Councillors will want to give careful consideration to ensure that anything new provides a greater return overall than that which is to be reduced in scale.

6.4 Having analysed the visitor economy services we currently offer and the revised focus that stakeholders would like us to adopt it is proposed that the existing services should be evolved as follows:

Priority One

Provide leadership for the local visitor economy by championing it at the regional level and joining with neighbouring districts to raise opportunities and issues at the national level.

Stakeholders indicated that there was little awareness of what our visitor economy offer was as part of the Leicestershire, East Midlands or national tourism offer. NWLDC have the connections to positively address this and prioritisation of resource on defining “Our Place” along with the other actions below would be welcomed.

Priority Two

Increase the amount of officer time invested in working with local attractions and tourism businesses to create a better connected and more knowledgeable network.

The goal would be to establish and sustain a collective of visitor economy businesses which can signpost and cross sell. Ultimately it would be hoped that by working together some natural “packaging” would occur which would lead to an increased length of visitor stay and increased spend locally. As an example, there is strong evidence that at present our visitors come for one attraction and then go home again afterwards. Where the attraction visited has a long dwell time (i.e. a full day attraction) this isn’t an issue as ancillary spend on food etc will be high. However, most of our attractions currently have a dwell time of less than half a day and therefore there is often a failure to capture that ancillary spend. Packaging of attractions e.g. visiting Moira Furnace in the morning and then popping into Ashby for lunch before visiting the castle in the afternoon would deliver a longer stay and increased local spend.

Priority Three

Prioritise resource on working with stakeholders and delivering projects which create the infrastructure and attractions to support a greater number of visitors, staying longer.

North West Leicestershire has a number of quality attractions within its borders however, with the exception of Donington Race Circuit and Conkers, none offer the breadth of things to do to retain visitors for more than half a day and many have relatively low visitor capacity.

The greatest financial benefit to the local economy comes from visits which involve an overnight stay (as a result of spend on meals and accommodation), full day stays bring the next level of benefit (spend on lunches) with half day stays being least positive. Through the recent engagement exercise those stakeholders who operated attractions expressed a desire to grow their attractions to accommodate more people staying longer but pointed to a number of barriers such as lack of supporting infrastructure (particularly a lack of places to stay overnight) and lack of access to finance. NWLDC was viewed by stakeholders as "best placed" to address this by providing support to access grant funding e.g. from LLEP and through its inward investment promotion activity which was seen as a way of bringing new investment into attractions and infrastructure.

Priority Four

Lead the promotion of North West Leicestershire as a place to visit to an audience beyond our district borders, particularly by use of digital marketing channels.

We can only expect our visitor economy businesses to grow and create more wealth and employment if their customer base grows. At present there is little awareness (beyond North West Leicestershire) of North West Leicestershire or its offer and this keeps our customer base small. Resetting the balance between inward and outward focussed marketing activities would provide us with the means to attract visitors from a wider catchment area bringing new spend into the district.

6.5 To create capacity to implement the new priority activities outlined above, within existing budget and staff resources some existing activities will need to be either stopped, reduced in scale or delivered differently.

6.6 The following is proposed:

6.6.1 A quantum of Cultural Services Team staff resource is currently utilised to support new start businesses within the visitor economy sector. The council's primary channel for support to new businesses is through the Economic Regeneration (Business Focus Team) and it has been observed that there is currently a degree of duplication. Going forward it is proposed that this duplication is removed with the Economic Regeneration Team taking responsibility for supporting new business start ups regardless of the sector in which the business plans to operate.

6.6.2 The council currently invests the largest proportion of its Cultural Services resources into events. At present our approach is very "hands on" with officers taking on the role to; conceive, plan, arrange and run a significant number of events ourselves. This is very time consuming, costly and carries significant risk to the authority. It is proposed going forward that our approach should be to simply be the commissioner of a programme of events with arrangements contracted to specialist event organisers. It is also proposed that the programme of events be revisited to ensure that in addition to being of interest to local residents they also form part of an outward focused offer. It is believed that these changes will free up resource, reduce council risk and broaden appeal.

6.6.3 The Council's current approach to marketing and promotion of our visitor economy offer is through a static offer which is inward focused. The district Tourist Information Centre in Ashby currently consumes the second largest proportion of the overall Cultural Service resource (budget and staff) and the primary function is to promote activities that are taking place in and around Ashby to those who are able to access the TIC during its opening hours (which are limited by the opening hours of the Library where it is based).

The TIC does also act as a sales outlet for a small number of limited draw arts venues in the town such as Venture Theatre. Delivery of tourism promotion through a TIC based in Ashby does little to promote attractions in the north or east of the district.

6.6.4 The TIC in Ashby has been temporarily closed since 2020 due to covid restrictions There have been some calls from Ashby Town Council and through a petition for the TIC to reopen however this would be at odds with the comments gathered in the stakeholder and partner engagement carried out by Fathom Consulting which recommended that closure be made permanent so that the resource could be redeployed to a promotion service that benefited visitor economy businesses across the district.

6.6.5 Taking on board stakeholder recommendations and recognising the very limited geographical service of the TIC in Ashby it is proposed that the facility be permanently closed to be replaced by Tourist Information Points (one each in Coalville, Ashby, Conkers and Castle Donington – subject to agreement on appropriate locations) with the Public Information Points that were erected around the district to publicise post covid high street reopening being refurbished and reused for the purpose, supplemented by increased information on the council's website.

6.6.6 Recognising the benefit of the TIC in Ashby as an outlet for ticket sales for local arts venues we have already explored the potential for Ashby Library to take on this function and this is something they have indicated a willingness to do.

7.0 STAFFING/ESTABLISHMENT MATTERS - GOVERNANCE

7.1 Cabinet will be asked to consider the Councils draft Visitor Economy Plan at its meeting on 2 February 2022, having regard to the comments from Scrutiny and advice from officers.

7.2 If the Visitor Economy Plan is approved, this will affect how the Council delivers this work. All matters related to staffing and proposed changes to the establishment are within the remit and delegation to the Chief Executive (CX) as Head of Paid Service in the Council's constitution. The CX can make the decisions which are required in relation to staffing matters which are necessary to effect the decision of Cabinet.

7.3 Section 4 of the Local Government and Housing Act 1989 provides for the Head of Paid Service to report its proposals to Council, where they consider it appropriate to do so relating to:

- the manner in which the discharge by the authority of their different functions is co-ordinated;
- the number and grades of staff required by the authority for the discharge of
- their functions;
- the organisation of the authority's staff; and
- the appointment and proper management of the authority's staff.
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7.4 The Chief Executive has been consulted on this proposal and does not consider that the duty under section 4 is engaged. This is due to the scale of the service, its budgets and the number of staff that will be affected by the proposals in the Visitor Economy Plan.

8.0 CONCLUSION

8.1 The Council Delivery Plan sets out a desire to significantly grow the NWL visitor economy.

8.2 This represents a significant challenge at the current time, with limited potential for growth arising out of the current Visitor Economy Plan (Cultural Services - Service Plan)

8.3 Specialist advice has been sought to identify alternative interventions that would be expected to deliver greater growth and would be more valued by sector stakeholders.

8.4 It is recommended that the council should focus its visitor economy service plan on:

- Providing leadership to local partners and stakeholders operating in the sector.
- Support the creation of networks between partners and stakeholders
- Assist with the creation of more and better attractions and supporting infrastructure
- Lead an outward focused marketing and promotion campaign.

8.5 It has been identified that the council can do all these things should it so wish within existing resource constraints, subject to amending some of its current activities to free up capacity.

Policies and other considerations, as appropriate	
Council Priorities:	The proposed plan will help deliver the Visitor economy aspirations set out within the 2021 to 2023 Council Delivery Plan
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The Visitor Economy Plan proposes a uniform service across the district
Customer Impact:	The Plan will change the way in which local residents are able to access tourist orientated information, increasing accessibility for most.
Economic and Social Impact:	The objective of the plan is to grow the Visitor economy leading to increased wealth and employment opportunities across the district
Environment and Climate Change:	The plan should make tourist information available digitally or in more locations thereby reducing the need to travel to obtain information for most residents
Consultation/Community Engagement:	Fathom Consulting carried out engagement with sector stakeholders to produce the report which has helped shape the formation of the visitor economy plan.
Risks:	The primary risk implication arising out of this report is that the proposed Visitor Economy Plan fails to deliver the levels of sector growth desired. Mechanisms for monitoring impact are in place and will allow remedial action to be proposed if required.
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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 5 JANUARY 2022

Title of Report	**PRUDENTIAL INDICATORS AND TREASURY STRATEGIES 2022-23**	
Presented by	Dan Bates – Head of Finance and Section 151 Officer	
Background Papers	Budget and Council Tax 2021/22 – Council 23 February 2021 Investment Strategy – Service and Commercial 2021/22 – Council 23 February 2021 Treasury Management Strategy Statement 2021/22 and Prudential Indicators 2021/22-2023/34 – Council 23 February 2021	**Public Report:** Yes
Financial Implications	Although this is a finance report, there are no direct financial implications contained within this report. These are fully considered in the Revenue and Capital Budget Reports. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	None apparent from the report **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	**Signed off by the Head of Paid Service:** Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For the Corporate Scrutiny Committee to review the draft Prudential Indicators and Treasury Strategies for 2022/23 and provide comments to be considered by Cabinet.	
Recommendations	**THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY CABINET WHEN IT MEETS ON 1 FEBRUARY 2022 TO CONSIDER THE TREASURY STRATEGIES IN APPENDICES 1 – 4 AND RECOMMENDS ITS PROPOSALS TO FULL COUNCIL ON 24 FEBRUARY 2022.**	

1. BACKGROUND

1.1 The Local Government Act 2002 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice and to prepare, set and publish prudential indicators and treasury indicators that ensure the Council's capital expenditure plans are affordable, prudent and sustainable in the long-term.

1.2 The prudential indicators consider the affordability and impact of capital expenditure plans, and set out the Council's overall capital framework. The prudential indicators summarise expected treasury activity, introduce limits upon that activity and reflect the underlying capital programme. As a consequence, a Treasury Management Strategy is prepared which considers the effective funding of the capital expenditure decisions and complements the prudential indicators.

1.3 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus moneys are invested in low risk counterparties commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The Council is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby charges to revenue remain affordable within the projected income of the Council for the foreseeable future. These increases charges may arise from:

- increases in interest charges and debt repayment caused by increased borrowing to finance additional capital expenditure; and
- any increases in operational running costs from new capital projects.

1.4 Treasury Management is, therefore, an important part of the overall financial management of the Council's affairs and is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 Specific treasury indicators are prepared and included in the Treasury Management Strategy which requires Member approval.

1.6 The Council's treasury activities are strictly regulated by statutory requirements and guidance, including:

- CIPFA Treasury Management Code of Practice
- CIPFA Prudential Code for Capital Finance in Local Government
- MHCLG Investment Guidance
- MHCLG Minimum Revenue Provision (MRP) Guidance.

1.7 CIPFA have recently undertaken consultations on revisions to both the Treasury Management Code and the Prudential Code and the revised code is due out in December 2021. The Strategies for comment have been based on the draft consultations, however changes may be needed for final versions presented to Cabinet in February.

1.8 The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation at the end of November on proposed changes to capital finance regulations in respect of Minimum Revenue Provision (MRP). The closing date for the consultation is the 8 February 2022, there are two main changes proposed to take effect from 2023/24. The two main changes are in relation to exclusion of certain assets from MRP and use of capital receipts. We are still assessing the impact of the changes but on initial review there does not appear to be any significant impact.

1.9 The Council's Constitution (via the Financial Procedure Rules) requires full Council to approve the Treasury Management Policy statement for the forthcoming year at or before the start of the year. The statement is proposed to the full Council by the Cabinet. The Head of Finance has delegated responsibility for implementing and monitoring the statement. The Head of Finance is responsible for reporting annually to the Cabinet on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. Reports on treasury management are also required by be adequately scrutinised and this role is undertaken by the Audit Committee.

2. PRUDENTIAL INDICATORS AND TREASURY STRATEGIES 2022/23

2.1 The following strategies are attached in the appendices for Corporate Scrutiny Committee to review and provide comment on:

- Appendix 1 – Capital Strategy 2022/23 which include the Prudential Indicators for 2022/23 – 2024/25;
- Appendix 2 – Treasury Management Strategy 2022/23 which include the Treasury Indicators for 2022/23 – 2024/25;
- Appendix 3 – Minimum Revenue Provision (MRP) Statement 2022/23; and
- Appendix 4 – Investment Strategy 2022/23.

Policies and other considerations, as appropriate	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its properties.
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Corporate Scrutiny Committee – 6 January 2022 Cabinet – 1 February 2022
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	Dan Bates Head of Finance and Section 151 Officer dan.bates@nwleicestershire.gov.uk

Appendix 1

Capital Strategy Report 2022/23

1. Introduction

1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

2.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

2.2 For details of the Authority's policy on capitalisation, please refer to the Accounting Policies within the Statement of Accounts.

2.3 In 2022/23, the Authority is planning capital expenditure of £25.6 million as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
General Fund services	10.2	16.8	10.7	3.0	1.3
Council housing (HRA)	6.7	11.7	14.9	15.4	12.1
TOTAL	16.9	28.5	25.6	18.4	13.4

2.4 The main General Fund capital projects include the new Coalville and Whitwick Leisure Centre, the regeneration of Coalville and fleet replacement programme.

2.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of 77 new homes over the forecast period.

2.6 **Governance**: Service managers bid annually in October to include projects in the Authority's capital programme. Bids are collated by finance who calculate the financing cost (which can be nil if the project is fully externally financed). The finance team appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to the Corporate Leadership Team (CLT). The final capital programme is then presented to Cabinet and Council in February each year.

2.7 For full details of the Authority's capital programme, please see the Budget and Council Tax 2022/23 Report.

2.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2020/21 actual £,000	2021/22 forecast* £,000	2022/23 budget £,000	2023/24 budget £,000	2024/25 budget £,000
General Fund					
Capital Receipts	8	2,800	0	0	0
Government Grants	715	670	670	670	670
Grants	80		0	0	0
Reserves	719	467	36	2	0
S106 Contributions	0		0	0	0
Revenue Contributions	89	57	22	0	0
Leasing/Unsupported Borrowing	8,600	17,526	9,966	2,341	619
General Fund Total	**10,211**	**21,520**	**10,694**	**3,103**	**1,289**
Housing Revenue Account					
Capital Receipts	3,286	2,961	2,471	2,670	2,257
Government Grants	183	459	208	207	207
Reserves	2,253	7,780	8,481	5,186	3,195
S106 Contributions	6	271	219	601	12
Revenue Contributions	934	3,650	3,550	4,250	4,364
External Borrowing	0	0	0	2,500	2,100
HRA Total	**6,662**	**15,121**	**14,929**	**15,414**	**12,135**
TOTAL	**16,873**	**36,641**	**25,623**	**18,517**	**13,424**

*2021/22 forecast figures include funding that is expected to be carried forward into the next financial year.

2.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP)/loan fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP/loan fund repayments and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2020/21 actual £,000	2021/22 forecast £,000	2022/23 budget £,000	2023/24 budget £,000	2024/25 budget £,000
Capital resources	0	0	0	0	
Revenue resources	1,154	1,161	2,214	2,741	1,267
TOTAL	**1,154**	**1,161**	**2,214**	**2,741**	**1,267**

2.10 The Authority's full minimum revenue provision statement is available as part of the Prudential Indicators and Treasury Strategies 2022/23 Report.

2.11 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. The CFR is expected to increase by £10.3 million during 2022/23. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget *	31.3.2024 budget	31.3.2025 budget
General Fund services	25.2	37.1	48.6	48.8	47.1
Council housing (HRA)	70.6	56.4	55.2	54.0	52.7
TOTAL CFR	**95.8**	**93.5**	**103.8**	**102.8**	**99.8**

2.12 **Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. The Authority's asset management strategy can be read on the council's website.

2.14 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £4.1m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	2.6	3.5	4.1	4.1	2.9
Loans etc repaid	0	0	0	0	0
TOTAL	2.6	3.5	**4.1**	**4.1**	2.9

3. Treasury Management

3.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

3.2 Due to decisions taken in the past, the Authority currently (as at 19.11.21) has £78.5 million borrowing at an average interest rate of 3.4% and £58 million treasury investments at an average rate of 0.05%.

3.3 **Borrowing strategy:** The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).

3.4 Projected levels of the Authority's total outstanding debt (which comprises borrowing, and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Debt (incl. PFI & leases)	79.0	68.4	62.6	59.9	58.6
Capital Financing Requirement	95.8	93.5	103.8	102.8	99.8

3.5 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

3.6 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10 million at each year-end. This benchmark is currently £60.3 million and is forecast to rise to 81.9 million over the next three years.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Outstanding borrowing	79.0	64.7	62.6	59.8	58.6
Liability benchmark	42.0	60.3	74.5	79.6	81.9

3.7 The table shows that the Authority expects to remain borrowed above its liability benchmark for this year. From 2022/23, the outstanding borrowing falls liability benchmark as we are expecting that we will need to undertake new borrowing to cover the capital programmes for both General Fund and HRA.

3.8 **Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 limit	**2022/23 limit**	**2023/24 limit**	**2024/25 limit**
Authorised limit – total external debt	128.7	120.4	116.3	113.3
Operational boundary – total external debt	118.7	110.4	106.3	103.3

3.9 Further details on borrowing can be found in the treasury management strategy.

3.10 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

3.11 The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2021 actual	**31.3.2022 forecast**	**31.3.2023 budget**	**31.3.2024 budget**	**31.3.2025 budget**
Near-term investments	50.3	5.8	5	5	5
Longer-term investments	0	5	5	5	5
TOTAL	**50.3**	**10.8**	**10**	**10**	**10**

3.12 Further details on treasury investments are available in the of treasury management strategy.

3.13 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

3.14 The treasury management prudential indicators are included in the treasury management strategy.

3.15 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to the Audit Committee who are responsible for scrutinising treasury management decisions.

4. Investments for Service Purposes

4.1 The Authority can make investments to assist local public services, including making loans to and buying shares in local service providers, local small businesses to promote economic growth, the Authority's subsidiaries that provide services]. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to generate a profit after all costs.

4.2 The Authority does not currently have any investments for service purposes.

4.3 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Head of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

4.4.1 Further details on service investments are in available in the Investment Strategy.

5 Commercial Activities

5.1 At present, the Authority does not have any plans to investment in commercial activities purely for financial gain. If the Authority's plans change in this respect, this policy will be revised and approval sought from Full Council before proceeding with any activity. Further details on the Authority's approach to Commercial Activities can be found in the Commercial Strategy.

6 Liabilities

6.1 In addition to debt of £64.7 million detailed above, the Authority is committed to making future payments to cover its pension fund deficit (valued at £65.5m). It has also set aside £2 million to cover risks of Business Rates valuation appeals.

6.2 **Governance:** Decisions on incurring new discretional liabilities are taken by Head of Service in consultation with Head of Finance. The risk of liabilities crystallising and requiring payment is monitored by the Finance Team and reported to committee annually. New liabilities exceeding £1 million are reported to full council for approval/notification as appropriate.

7. Revenue Budget Implications

7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 budget *	2023/24 budget	2024/25 budget
Financing costs (£m)	1.22	1.43	1.71	2.39	2.62
Proportion of net revenue stream	6.9%	8.4%	10.2%	13.0%	14.3%

7.2 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Head of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because the authority maintains processes to ensure that all capital expenditure is subject to adequate financial planning with all revenue implications being accounted for in the annual budget process.

8. Knowledge and Skills

8.1 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Section 151 and Finance Team Manager and Deputy Section 151 Officer are both qualified accountants and the Head of Property Services and Economic Regeneration is a qualified surveyor. The Authority pays for junior staff to study towards relevant professional qualifications including Charted Institute of Public Finance and Accountancy (CIPFA), Association of Accounting Technicians (AAT) and Royal Institute of Chartered Surveyors (RICS).

8.2 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers, and Wilks, Head and Eve as valuation consultant. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

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Appendix 2

Treasury Management Strategy Statement 2022/23

1. Introduction

1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

1.2 Treasury risk management at North West Leicestershire District Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3 Investments held for service purposes or for commercial profit are considered in a separate strategy – 'Investment Strategy 2022-23'.

2. External Context *(as at 05/11/21)*

2.1 **Economic background:** The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

2.2 The Bank of England (BoE) held Bank Rate at 0.10% in November 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold and 6-3 to maintain the asset purchase programme. Within the announcement the MPC suggested interest rates would be increased soon, but not to the 1% level expected by financial markets. Within the November 2021 Monetary Policy Report, the Bank expected consumer price index (CPI) inflation to peak at around 5% in April 2022 before falling back as the impact from higher energy prices fade and demand slows.

2.3 UK CPI for September 2021 registered 3.1% year on year, slightly down from 3.2% in the previous month. Core inflation, which excludes the more volatile components, fell to 2.9% y/y from 3.1%. The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.

2.4 In August 2021, the headline 3-month average annual growth rate for wages were 7.2% for total pay and 6.0% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 4.7% while regular pay was up 3.4%. These figures should be interpreted with caution, however, as pay growth is now being impacted by base effects compared to 12 months ago when earnings were first affected by the coronavirus pandemic. Moreover, there has also been a fall in the number and proportion of lower paid jobs, helping to push up the average earnings figure.

2.5 Gross domestic product (GDP) grew by 5.5% in the second calendar quarter of 2021, compared to a fall of -1.6% q/q in the previous three months, with the annual rate jumping to 23.6% from -6.1%. Here too, base effects from 2020 have resulted in the high Q2 2021 data. Monthly GDP estimates have shown the economy is recovering, with the economy now just 0.8% below its pre-pandemic level. Looking ahead, the BoE's November 2021 Monetary Policy Report forecasts economic growth will rise by 1.5% in Q3 2021, 1.0% in Q4 2021 with the economy expected to get back to its pre-pandemic level in Q1 2022. GDP growth is now expected to be around 5% in 2022 (revised down from 6%), before slowing to 1.5% in 2023 and 1% in 2024.

2.6 GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.1% year-on-year in October, the fourth successive month of inflation. Core CPI inflation was 2.1% y/y in October, the third month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

2.7 The US economy expanded at an annualised rate of 2.0% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its November 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme. Having bought $120 billion of bonds each month during the pandemic to keep interest rates low, the Fed confirmed that purchases will be scaled back, starting with a $15 billion reduction in November 2021. In terms of the timing of any interest rate hikes, Fed Chair Jerome Powell said the central bank can be patient about doing so.

2.8 **Credit outlook:** Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

2.9 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.

2.10 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

2.11 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will rise in calendar Q2 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

2.12 Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks shift towards the downside.

2.13 Gilt yields had increased sharply on the back of higher inflation and anticipated central bank action, however in its November MPC meeting, the committee noted that market expectations for rates were excessive, and yields have since fallen back. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.60%, 1.0%, and 1.35% respectively. The risks around the gilt yield forecast are judged to be broadly balanced in the near-term and to the downside over the remainder of the forecast horizon. As ever, there will almost certainly be short-term volatility due to economic and political uncertainty and events.

2.14 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

2.15 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.05%, and that new long-term loans will be borrowed at an average rate of 1.61%.

3. Local Context

3.1 On 19/11/2021, the Authority held £78.5 million of borrowing and £58 million of treasury investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.21 Actual £m	**31.3.22 Estimate £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**
General Fund CFR	25.2	37.1	48.5	48.8	47.1
HRA CFR	70.6	56.4	55.2	54.0	52.7
Total CFR	**95.8**	**93.5**	**103.7**	**102.8**	**99.8**
Less: External borrowing *	-79.5	-65.3	-63.1	-60.4	-59.1
Internal (over) borrowing	**16.3**	**28.2**	**40.7**	**42.4**	**40.7**
Less: Balance sheet resources	-63.8	-43.2	-39.2	-33.2	-27.9
Treasury investments (or New borrowing)	**47.5**	**15.0**	**-1.5**	**-9.2**	**-12.8**

* shows only loans to which the Authority is committed and excludes optional refinancing

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £23.5 million over the forecast period.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2022/23.

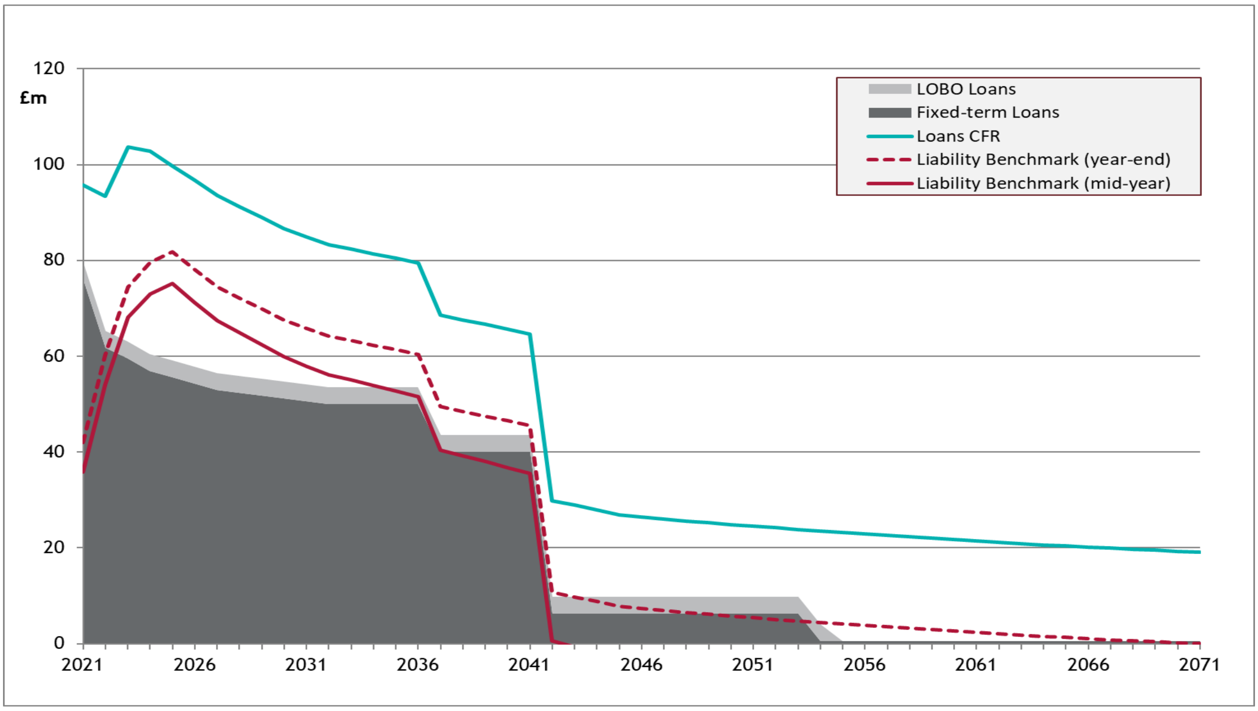
3.5 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £2.5 million at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
CFR	95.8	93.5	103.7	102.8	99.8
Less: Balance sheet resources	-63.8	-43.2	-39.2	-33.2	-27.9
Net loans requirement	32.0	50.3	64.5	69.6	71.9
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**42.0**	**60.3**	**74.5**	**79.6**	**81.9**

3.6 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £500,000 a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:

Chart 1: Liability Benchmark



3.7 The liability benchmark chart above shows that the Authority has a short need for borrowing for approximately 15 years and then we return to an investment position, based on the current capital programme.

4. Borrowing Strategy

4.1 As at the 31 Match, the Authority expects to hold £64.9 million of loans, a decrease of £14.2 million on the previous year, as part of its 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 table 1 shows that the Authority may need to borrow short term in 2022/23 to maintain its MIFID status which requires a minimum investment balance of £10 million at any one time.

4.2 **Objectives:** The Authority'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 renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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.

4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and 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 Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority 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.

4.5 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

4.6 Alternatively, the Authority may arrange forward starting loans, 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.

4.7 The Authority may borrow short-term loans to cover unplanned cash flow shortages.

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- 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 Leicestershire County Council Pension Fund)

- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.9 **Other sources of debt finance:** In addition, capital finance may 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

4.10 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is 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.

4.11 **LOBOs:** The Authority holds £3.5 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. Our LOBO has options during 2022/23, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £3.5 million.

4.12 **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.13 **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 Authority 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.

5 Treasury Investment Strategy

5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since the start of the financial year the Authority's treasury investment balance has ranged between £49.1 million and £66.0 million. Next year we are expecting much lower balances in part due to the repayment of PWLB loans and negative cashflow amounts. We are anticipating a high of £24.3 million dropping to a low of £10.0 million.

5.2 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority'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 Authority 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.

5.3 **Negative interest rates:** 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 to 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.

5.4 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2022/23. This is especially the case for the estimated £5 million that is available for longer-term investment. All of the Authority's surplus cash is currently invested in Local Authorities, Central Government Deposits, short-term unsecured bank deposits, and money market funds. This diversification will represent a change in strategy over the coming year.

5.5 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.6 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Secured investments *	25 years	£5m	Unlimited
Banks (unsecured) *	13 months	£2.5m	Unlimited
Building societies (unsecured) *	13 months	£2.5m	£5m
Registered providers (unsecured) *	5 years	£2.5m	£12.5m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£12.5m
Other investments *	5 years	£2.5m	£5m

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

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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.

5.7 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.8 **Government:** Loans to, and 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 Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years. Investments made with Local authorities will be put through a vetting procedure in which approval must be obtained by the Head of Finance or in their absence the deputy S151 officer. Although there are minimal financial risks involved in this investment type there may be a reputational risk incurred if we are found to have been investing with a financially unstable authority.

5.9 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.10 **Banks and building societies (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. See below for arrangements relating to operational bank accounts.

5.11 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.12 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.13 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority 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 Authority's investment objectives will be monitored regularly.

5.14 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs 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.

5.15 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

5.16 **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.5 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.17 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.

5.18 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") 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.

5.19 **Other information on the security of investments**: The Authority 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, reports in the quality financial press and analysis and advice from the Authority'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.

5.20 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 Authority 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 Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.21 **Investment limits**: The Authority's revenue reserves available to cover investment losses are forecast to be £24.9 million on 31st March 2022. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.22 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2.5 million in operational bank accounts count against the relevant investment limits.

5.23 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£12.5m per manager
Negotiable instruments held in a broker's nominee account	£12.5m per broker

5.24 **Liquidity management**: The Authority uses a purpose-built excel cashflow system to determine the maximum period for which funds may prudently be committed. This sheet is monitored and updated daily and is used to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

5.25 The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6. Treasury Management Indicators

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. Our latest benchmarking information shows that we have obtained a score of 4.48 which Is classed as a rating of A+. The below target represents the minimum level to which we would be prepared to go.

Credit risk indicator	Target
Portfolio average credit Score	A-

6.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

6.4 **Interest rate exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£194,712
Upper limit on one-year revenue impact of a 1% fall in interest rates	-£194,712

6.5 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	90%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.6 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£10m	£10m	£10m

7. Related Matters

7.1 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

7.2 **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 or 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).

7.3 The Authority 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 Authority 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.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

7.5 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.

7.6 **Housing Revenue Account:** On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured daily and interest transferred at year end between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

7.6 **External Funds:** The Authority manages S106 funds. These funds contribute towards the investment balances. Therefore, interest earnt on S106 balances are repaid too the S106 fund. The value of the S106 funds as at 19/11/2021 equals £8.2 million. Reducing our overall interest earnt forecast by an estimated £4,200.

7.7 **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks and brokers allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

8. <u>Financial Implications</u>

8.1 The budget for investment income in 2022/23 is £7,200 based on an average investment portfolio of £14.9 million at an interest rate of 0.05%. As discussed above, £4,200 of that will be reattributed to the S106 fund leaving us with an interest return of £3,000. The budget for debt interest paid in 2022/23 is £2.3 million, based on an average debt portfolio of £64.9 million at an average interest rate of 3.53%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

8.2 Where investment income exceeds budget due to investing in higher risk investments e.g. from higher risk investments including pooled funds then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

9. Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – October 2021

Underlying assumptions:

- The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit
- While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support
- Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher
- The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.
- Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled-down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.
- The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Forecast:

- Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure.
- Investors have priced in multiple rises in Bank Rate to 1% by 2024. While we believe Bank Rate will rise, it is by a lesser extent than expected by markets
- Gilt yields have risen sharply as investors factor in higher interest rate and inflation expectations. From here, we believe that gilt yields will be broadly steady, before falling as inflation decreases and market expectations fall into line with our forecast
- The risk around our forecasts for Bank Rate is to the upside over the next few months, shifting to the downside in the medium term. The risks around the gilt yield forecasts are initially broadly balanced, shifting to the downside later

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.15	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	-0.15	-0.15	-0.15	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
3-month money market ra													
Upside risk	0.10	0.15	0.20	0.20	0.30	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	0.10	0.15	0.35	0.40	0.45	0.60	0.65	0.65	0.60	0.60	0.60	0.60	0.60
Downside risk	0.00	-0.05	-0.25	-0.25	-0.30	-0.45	-0.50	-0.50	-0.45	-0.45	-0.45	-0.45	-0.45
5yr gilt yield													
Upside risk	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.65	0.65	0.65	0.65	0.65	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Downside risk	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
10yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.05	1.05	1.05	1.05	1.05	1.05	1.00	0.95	0.95	0.95	0.90	0.90	0.90
Downside risk	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.30	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.40	1.40	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	-0.35	-0.40	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
50yr gilt yield													
Upside risk	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.30	1.30	1.30	1.30	1.25	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

PWLB certainty rate = relevant gilt yield + 0.80%

Appendix B - Existing Investment & Debt Portfolio Position

	19/11/2021 **Actual portfolio** **£m**	19/11/2021 **Average rate** **%**
External borrowing:		
Public Works Loan Board	69.94	3.19%
Local authorities	1.00	6.88%
LOBO loans from banks	3.50	4.80%
Other loans	4.02	4.72%
Total external borrowing	**78.46**	**3.39%**
Treasury investments:		
The UK Government	5.00	0.05%
Local authorities	29.00	0.06%
Banks (unsecured)	6.00	0.06%
Money market funds	18.00	0.01%
Total treasury investments	**58.00**	**0.05%**
Net debt	20.46	3.34%

Appendix 3

Minimum Revenue Provision Statement 2022/23

1. Annual Minimum Revenue Provision Statement 2022/23

1.1 Where the Authority 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 Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either 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.

1.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £606,250.49.

- For capital expenditure incurred before 1st April 2019 and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.

- For unsupported capital expenditure incurred after 31st March 2019, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For transferred debt from Hinckley and Bosworth Borough Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.
- MRP in respect of the £80 million payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

1.4 Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

1.5 Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2022, the budget for MRP has been set as follows:

	31.03.2022 Estimated CFR £m	**2022/23 Estimated MRP £**
Capital expenditure before 01.04.2008	7.3	329,629
Supported capital expenditure after 31.03.2008	0	0
Unsupported capital expenditure after 31.03.2008	29.8	946,633
Voluntary overpayment (or use of prior year overpayments)	n/a	n/a
Total General Fund	**37.1**	**1,276,262**
Assets in the Housing Revenue Account	**3.3**	0
HRA subsidy reform payment	**53.1**	1,206, 414
Total Housing Revenue Account	**56.4**	**1,206,414**
Total	**93.5**	**2,482,676**

Appendix 4

Investment Strategy 2022/23

1. Introduction

1.1 The Authority invests its money for three broad purposes:

- 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**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

2. Treasury Management Investments

2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10 million and £24.3 million during the 2022/23 financial year.

2.2 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

2.3 **Further details:** Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the treasury management strategy.

3. Service Investments: Loans

3.1 **Contribution:** The Council does not currently, but may in the future, lend money to various organisations including its subsidiaries or trading companies, suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

3,2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2021 actual			2022/23
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	10,000,000
Trading Companies	Nil	Nil	Nil	500,000
Suppliers	Nil	Nil	Nil	100,000
Parish councils	Nil	Nil	Nil	2,000,000
Local businesses	Nil	Nil	Nil	2,000,000
Local charities	Nil	Nil	Nil	100,000
Housing associations	Nil	Nil	Nil	3,000,000
TOTAL	**Nil**	**Nil**	**Nil**	**17,700,000**

3.3 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.4 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans 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/subsidy law and creditworthiness of the counterparty seeking a service loan;
- monitoring and undertaking regular reviews of counterparties for credit risk.

4. <u>Service Investments: Shares</u>

4.1 **Contribution:** The Council does not currently, but may in the future, invest in the shares of its subsidiaries or trading companies, its suppliers, and local businesses to support local public services and stimulate local economic growth.

4.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2021 actual			2022/23
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	5,000,000
Trading Companies	Nil	Nil	Nil	1,000,000
Suppliers	Nil	Nil	Nil	Nil
Local businesses	Nil	Nil	Nil	Nil
TOTAL	**Nil**	**Nil**	**Nil**	**6,000,000**

4.3 **Risk assessment:** The Authority assesses the risk of loss 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 **Liquidity:** 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 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. <u>Commercial Investments: Property</u>

5.1 **Contribution:** The Ministry for Housing, Communities and Local Government (MHCLG) defined 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.

Table 3: Property held for investment purposes in £ millions

Property	31.3.2021 actual		31.3.2022 expected	
	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Industrial Units	106,000	6,373,700	TBC	TBC
Market Hall	(1,245,600)	185,100	TBC	TBC

Whitwick Business Centre	21,300	1,850,000	TBC	TBC
Land	38,900	5,403,300	TBC	TBC
TOTAL	**1,079,400**	**13,812,100**	TBC	TBC

5.2 **Security:** In accordance with government guidance, the Authority 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 Final Accounts year-end process.

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

5.2 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by:

- 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;
- The council will also take into consideration any impact on local businesses before entering into new investments. This is to protect local business's interest in the local market.

5.3 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority has minimised this risk by holding a minimal investment portfolio.

6. <u>Proportionality</u>

6.1 The Authority is not dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

Table 4: Proportionality of Investments

	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
Investment income	(662)	(770)	(859)	(865)	(868)
Net Revenue expenditure	17,604	16,374	15,783	15,783	15,783
Proportion	4%	5%	5%	5%	5%

7. 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 does not have any plans to borrowing in advance of need in 2022.23.

8. Capacity, Skills and Culture

8.1 **Elected members and statutory officers:** The Council recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them and have the appropriate capacity, skills and information to enable them to make informed decisions e.g. as to whether to enter into a specific investment. There is a requirement to understand:

- the context of the Council's corporate objectives;
- the Council's risk appetite and risk assessment framework;
- the Prudential Framework;
- the regulatory regime within local authorities operate.

8.2 The Authority will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The following measures are in place:

- Identification of officer training needs on commercial investment related issues through the reflection process;
- Attendance at relevant training events, seminars and workshops; and
- Support from the Authority's treasury management advisors, Arlingclose.

8.3 Elected members' training needs are assessed through the Member Development Group. The Council will also specifically address this important issue by:

- Periodically facilitating workshops or other training for members on commercial investment issues; and
- Interim reporting and advice to members.

8.4 Where necessary the Authority will engage external advisers for investment advice, property surveys and due diligence checks. The cost of any such advice will be taken into account when developing business cases and when assessing the overall viability of projects.

8.5 **Commercial deals:** The Council has a decision-making framework which is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. A Commercial Board would be constituted if the requirement arises that l Board will consider any future commercial opportunities. The guiding principles that will be used will require future commercial projects to:

- meet the council's corporate priorities;
- deliver community benefit
- require minimum investment for maximum return;

- be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or North West Leicestershire is significant;
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return.

8.6 The Commercial Board will assess future commercial investment against the Investment Strategy. All investments will be subject to rigorous scrutiny and successful schemes will result in the provision of a report to Council for approval. Schemes will be considered for investment against the following criteria;

i. Economic Impact – in particular; jobs, business growth and new housing;
ii. Impact on Market Towns – in terms of vibrancy, footfall and heritage;
iii. Financial Implications – value for money, affordability and return of investment; and
iv. Deliverability – the ability to deliver the proposals and the associated risks.

8.7 Successful applications will require appropriate legal agreements in accordance including the provision of appropriate security where required.

8.8 **Corporate governance:** It is important that the Authority has sound arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's values. In terms of governance, the Commercial Board will consider all new commercial investment proposals. The Commercial Board may determine an application under delegated powers or may recommend a project to Council for approval. Full Council is responsible for the approval of the Investment Strategy and for monitoring performance against it.

9.9 The Council's values include transparency in decision-making. To facilitate that, the following arrangements are in place:

- This Corporate Investment Strategy will be made available on the Council's website;
- Meetings of the Full Council will be open to the public and the agendas and minutes from such meetings will be shown on the Authority's website.

9. Investment Indicators

9.1 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

9.2 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	**31.03.2021 Actual**	**31.03.2022 Forecast**	**31.03.2023 Forecast**
Treasury management investments	47.5	15.0	10.0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	13.8	13.8	13.8
TOTAL INVESTMENTS	**61.3**	**28.8**	**23.8**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**0**	**0**	**0**

9.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	**31.03.2021 Actual**	**31.03.2022 Forecast**	**31.03.2023 Forecast**
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	8.4	8.4	8.4
TOTAL FUNDED BY BORROWING	**8.4**	**8.4**	**8.4**

9.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Forecast £'000
Treasury management investments	0.30%	0.05%	0.50%
Service investments: Loans			
Service investments: Shares			
Commercial investments: Property	1.42%	1.75%	2.66%
ALL INVESTMENTS	**0.90%**	**0.90%**	**1.60%**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 5 JANUARY 2022

Title of Report	**RECOMMENDATIONS OF THE SCRUTINY CROSS PARTY WORKING GROUP - SCRUTINY WORK PROGRAMMING**	
Presented by	Andy Barton Strategic Director of Place	
Background Papers	Minutes of the meetings of the scrutiny cross party working group	**Public Report:** Yes
Financial Implications	None identified at this stage.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None identified at this stage.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	The creation of any new working group impacts on resources which are relied upon to service the meetings and write reports. It is considered that the impact on resources will be minimal.	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	To seek the agreement of each of the Scrutiny Committees on a proposal to better manage their respective work programmes.	
Recommendations	**(1) THAT THE PROPOSAL OF THE SCRUTINY CROSS PARTY WORKING GROUP, AS SET OUT IN PARAGRAPH 2 OF THE REPORT, BE ENDORSED.** **(2) THAT AUTHORITY BE DELEGATED TO THE DIRECTOR OF PLACE AND THE DIRECTOR OF HOUSING AND CUSTOMER SERVICES TO ENABLE ESTABLISHMENT OF THE GROUP; TO INCUDE CONTACT WITH THE WHIPS TO AGREE ITS MEMBERSHIP IN ACCORDANCE WITH PARAGRAPH 3.1.**	

1. BACKGROUND

1.1 The Scrutiny Cross Party Working Group was established to deliver the outcomes of the corporate peer review in 2019. Whilst the Cross-Party Working Group is not a decision-making body, the group was asked to:

- Monitor the progress of the project against the agreed action plan.
- Act as ‘critical friends’ providing feedback and comments throughout the project.
- Acts as ‘champions’ for the successful delivery of the project within their respective groups by ensuring that the progress of the project was regularly reported back to all group members.

- Make recommendations to appropriate decision-making bodies based on the consensus of the Group.

1.2 The membership of the Scrutiny Cross Party Working Group comprises

- Councillor Robert Ashman, Deputy Leader
- Councillor Dan Harrison, Conservative
- Councillor Nigel Smith, Conservative
- Councillor Terri Eynon, Labour
- Councillor Sean Sheahan, Labour
- Councillor Tony Saffell, Independent

1.3 On 26 October 2021, the Cross-Party Working Group agreed proposals which captured its views on how this work should be progressed.

1.4 The aims of the proposals are

- The role of scrutiny to ensure that policy is refined and delivered following the agreement of policy by Cabinet
- Improve engagement and work planning - following requests from Scrutiny Work Planning Group & Scrutiny Members.
- Improve the process around scoping reports – keeping track of them and reporting back on whether the matter will go forward onto the agenda.
- A clear and manageable system to be driven by Members with support from Directors

1.5 Where requests for agenda items are proposed, the following process is applied

A scoping form to be filled in to gain more information on subject. Discussions to be held between officers/member if needed	Chairman, with support from Director, to review the scoping form using the criteria. If a valid request, item to be placed on work plan	Director to review resources available to pull together the report and to consider timeframes for consideration at Committee. If request declined, Member informed with reasons.	Scoping form to be included in work plan item on next committee agenda, with explanation of the review process. To be included whether request accepted or not	Report to be considered at committee as planned.
Scoping	**Review Request**	**Review Resources**	**Work Plan Committee Item**	**Report taken to Committee**

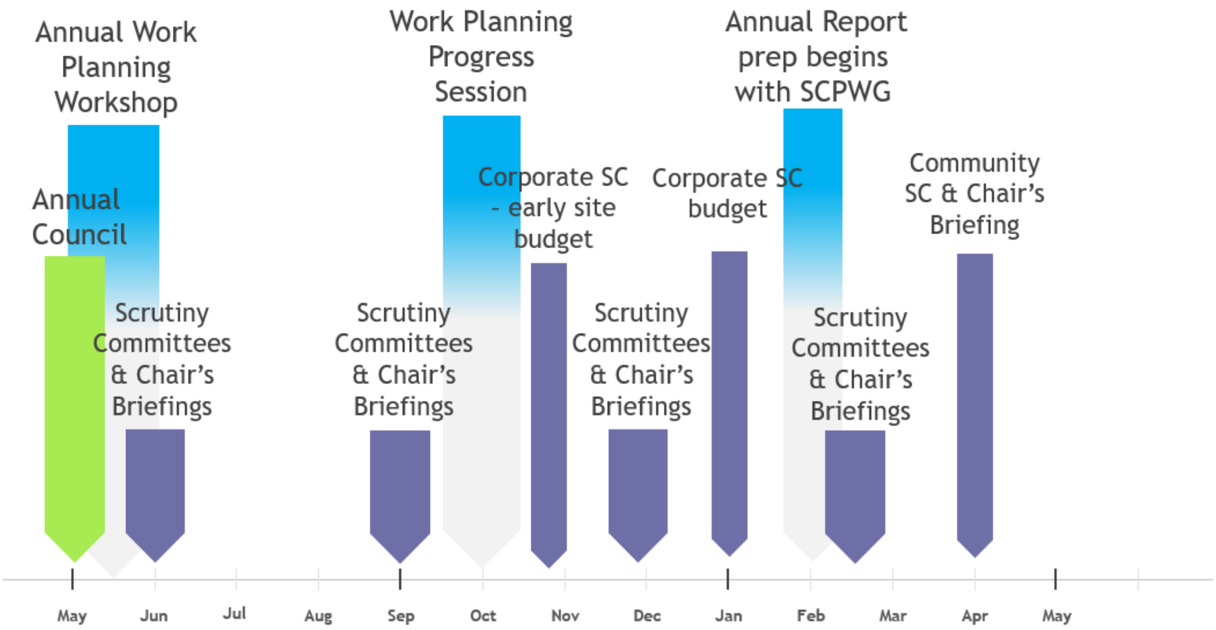
2. PROPOSAL

2.1 Much work has been done on improving the scrutiny function following the recommendations arising from the Corporate Peer Review and a presentation was made at the Working Group's last meeting where a number of further considerations on suggested improvements to the scrutiny work planning process were proposed. It was considered that more proactive work should be undertaken ahead of the meetings to agree the details of its work programme.

2.2 It was considered that the best vehicle to enable this is the establishment of a Scrutiny Work Programming Group.

2.3 The diagram below sets out the proposed work planning process

1. Annual Informal Work Planning Workshop (May/June)
2. Work Planning Progress Session
3. Agenda Briefings (before each meeting)
4. Annual Reporting



2.4 It is proposed that a Scrutiny Work Programming Group be established to include the Chairs of the Scrutiny Committees, the Directors and members of the opposition.

2.5 The Scrutiny Work Programming Group would run for a year. This would allow time to determine whether a more formal arrangement, such as a Scrutiny Commission, would likely be an effective addition to the process.

3. TERMS OF REFERENCE

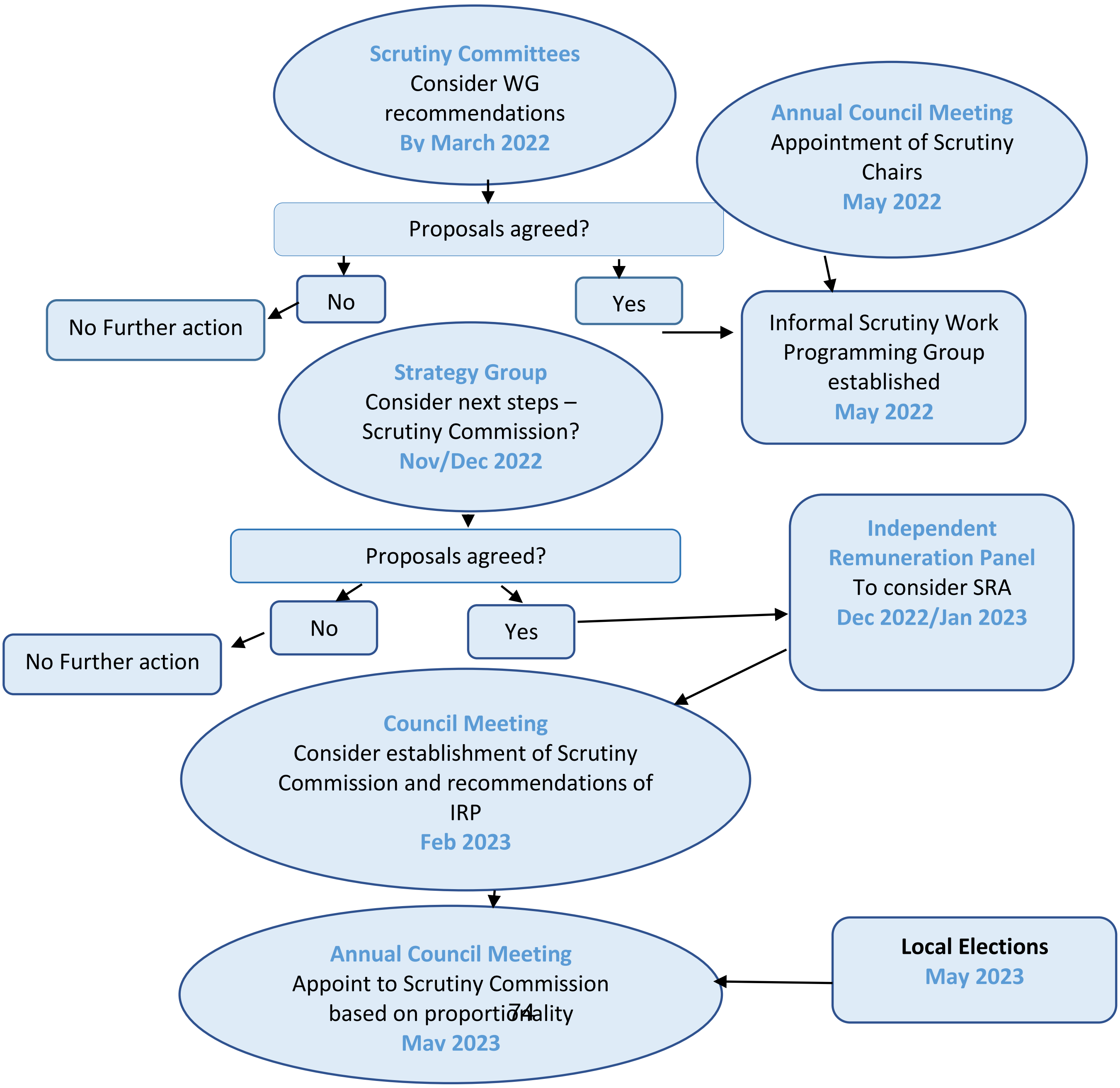
3.1 The proposed terms of reference of the Scrutiny Work Programming Group are set out below:-

Lead Officers	Strategic Directors
Terms of Reference	• Consider requests for inclusion on the work programmes of each Scrutiny Committee; • Consider whether there are other ways of receiving information;

	• Consult with members of Scrutiny Committees, Senior Officers, Cabinet Members for horizon scanning on policy development; • Look at the corporate priorities, Council Delivery Plan and Cabinet Forward plan and identify key issues/topics for investigation/inquiry • Consider events and decisions in the Council's calendar which could require an input/consultation via Scrutiny • Review any follow up work required after previous scrutiny
Membership	Membership to comprise the chairs of the two scrutiny committees and an opposition scrutiny committee member from each group.
Meetings	The Work Programming Group will meet approximately every 2 months (6 meetings a year)

4. TIMELINE

4.1 In order to implement the changes, the following timeline for consultation and approval is suggested.



Policies and other considerations, as appropriate	
Council Priorities:	All
Policy Considerations:	Not applicable
Safeguarding:	No issues identified
Equalities/Diversity:	No issues identified
Customer Impact:	No issues identified
Economic and Social Impact:	No issues identified
Environment and Climate Change:	No issues identified
Consultation/Community Engagement:	Strategy Group, Scrutiny Cross Party Working Group and to be considered by both Scrutiny Committees.
Risks:	No issues identified
Officer Contact	Melanie Long Democratic Services Team Manager melanie.long@nwleicestershire.gov.uk

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