



TO COUNCILLOR:

N Alam
L A Bentley
G A Boulter
J W Boyce
Mrs L M Broadley

F S Broadley
D A Gamble (Chair)
Mrs S Z Haq
Miss P V Joshi
J Kaufman

Mrs L Kaufman
K J Loydall
D W Loydall
Dr I K Ridley (Vice-Chair)

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **POLICY, FINANCE AND DEVELOPMENT COMMITTEE** to be held at the **COUNCIL OFFICES, STATION ROAD, WIGSTON** on **TUESDAY, 1 FEBRUARY 2022** at **7.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices
Wigston
24 January 2022

Mrs Anne E Court
Chief Executive



IMPORTANT COVID-19 NOTICE

In-person Council and Committee meetings which are open to the press and public to observe have resumed from 7 May 2021 following the expiry of [the Regulations](#) that allowed local authorities to hold remote meetings.

Whilst most of these meetings will take place in the Council Chamber at the [Council Offices in Wigston](#), it may be necessary to host a meeting at an alternative venue and/or at short notice. This will allow all attendees to maintain social distancing and follow the latest [COVID-secure guidelines](#).

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Where the necessary technology is available and working, the press and public may still be able to watch the [live streams](#) of meetings without having to attend in-person. Instructions on how to access live streams can be found below where applicable. At a minimum, [audio recordings](#) of meetings will be made available on the Council's website shortly after any given meeting.

ITEM NO.

AGENDA

PAGE NO'S

Live Stream of Meeting | Instructions

This meeting will be live streamed.

Press & Public Access:

YouTube Live Stream

A direct link to the live stream of the meeting's proceedings on the Council's YouTube Channel is below.

<https://youtu.be/Hn1gvPwMvRI>

1. Apologies for Absence

To receive apologies for absence from Members to determine the quorum of the meeting in accordance with Rule 7 of Part 4 of the Constitution.

2. Appointment of Substitutes

To appoint substitute Members in accordance with Rule 26 of Part 4 of the Constitution and the Substitution Procedure Rules.

3. Declarations of Interest

Members are reminded that any declaration of interest should be made having regard to the Members' Code of Conduct. In particular, Members must make clear the nature of the interest and whether it is 'pecuniary' or 'non-pecuniary'.

4. Minutes of the Previous Meeting

4 - 7

To read, confirm and sign the minutes of the previous meeting in accordance with Rule 19 of Part 4 of the Constitution.

5. Action List Arising from the Previous Meeting

To read, confirm and note the Action List arising from the previous meeting.

6. Petitions and Deputations

To receive any Petitions and, or, Deputations in accordance with Rule(s) 11 and 12 of Part 4 of the Constitution and the Petitions Procedure Rules respectively.

7. Budget Monitoring (Q3 2021/22)

8 - 19

Report of the Head of Finance / Deputy Section 151 Officer and Finance Manager.

8. Draft Budget & Medium Term Financial Strategy (2022/23) Update

20 - 50

Report of Head of Finance / Deputy Section 151 Officer and the Interim Senior Finance Strategy Manager.

9. Treasury Management Policy and Strategies (2022/23)

51 - 88

Report of the Head of Finance / Deputy Section 151 Officer and Finance Manager.

10. Standards & Ethical Indicators (Q3 2021/22)

89 - 98

Report of the Head of Law and Democracy / Monitoring Officer.

For more information, please contact:

**Policy, Finance and Development
Committee**

Tuesday, 1 February 2022

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Agenda Item 4

**MINUTES OF THE MEETING OF THE POLICY, FINANCE AND DEVELOPMENT COMMITTEE
HELD AT THE COUNCIL OFFICES, STATION ROAD, WIGSTON ON TUESDAY, 7 DECEMBER
2021 COMMENCING AT 7.00 PM**

PRESENT

L A Bentley Chair



COUNCILLORS

N Alam
L A Bentley
G A Boulter
J W Boyce
F S Broadley
Miss P V Joshi
J Kaufman
Mrs L Kaufman
K J Loydall
D W Loydall

OFFICERS IN ATTENDANCE

| | |
|-------------|---|
| C Campbell | Head of Finance / Acting Section 151 Officer |
| C Eyre | Housing Manager |
| P Fisher | Head of Customer Service & Transformation |
| D M Gill | Head of Law & Democracy / Monitoring Officer |
| A Hunt | Democratic Services Officer |
| A Thorpe | Head of Built Environment |
| S Tucker | Democratic & Electoral Services Manager / Deputy Monitoring Officer |
| J Wells | Strategic Manager - Environmental Health |
| S Wheeliker | Democratic Services Officer |

OTHERS IN ATTENDANCE

D M Carter
D A Gamble

67. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillors Mrs L M Broadley, R F Eaton, Mrs S Z Haq and Dr I K Ridley.

Councillor D A Gamble attended the meeting remotely.

It was moved by Councillor J W Boyce, seconded by Councillor K J Loydall JP and

UNANIMOUSLY RESOVLED THAT:

Councillor L A Bentley be appointed Chair for the duration of the meeting.

68. APPOINTMENT OF SUBSTITUTES

Policy, Finance and Development Committee
Tuesday, 7 December 2021

Chair's
Initials

None.

69. DECLARATIONS OF INTEREST

Councillor J Kaufman declared a non-pecuniary interest with regard to item 11 of the agenda, insofar as he was a member of the executive of the Oadby Community Stakeholders group. The Monitoring Officer confirmed that this did not impact upon his ability to participate in the debate on the item or take part in the vote thereon.

70. MINUTES OF THE PREVIOUS MEETING

By affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

The minutes of the previous meeting held on 16th November 2021 be taken as read, confirmed and signed.

71. ACTION LIST ARISING FROM THE PREVIOUS MEETING

There was no action list arising from the previous meeting held on 16 November 2021.

72. PETITIONS AND DEPUTATIONS

None.

73. LEICESTERSHIRE MUNICIPAL WASTE MANAGEMENT STRATEGY

The Committee gave consideration to the report as set out on pages 8 – 17 of the agenda, which asked it to note the Leicestershire Municipal Waste Management Strategy (LMWMS) target to achieve net zero carbon by 2050 by embracing waste prevention and increasing recycling and refuse.

It was moved by Councillor L A Bentley, seconded by Councillor J W Boyce and

UNANIMOUSLY RESOLVED THAT:

- (i) The public consultation approach and process described in section 7 be approved; and**
- (ii) Delegation be given to the Head of Customer Service and Transformation in consultation with the Leader of the Council and the Chair of Services to agree the final content of the documents to accompany the public consultation process.**

74. PROCUREMENT OF HOUSING REPAIRS, MAINTENANCE AND VOID PROPERTY PROGRAMME CONTRACT

The Committee gave consideration to the report as set out on pages 18 – 19 of the agenda, which asked it to approve the commencement of the process of procuring an external contractor to deliver the housing repairs, maintenance, and void property programme.

A number of Members expressed concern that awarding the full contract to a single bidder

could disadvantage smaller local businesses and favour larger companies which in the past had not always demonstrated a track record of delivery. An amendment to the published recommendation was subsequently moved by Councillor J W Boyce and seconded by Councillor KJ Loydall JP, proposing that the wording of the recommendation be amended from procuring 'a contractor' to procuring 'a contract'. The amendment was put to the vote and carried:

Votes For: 6
Votes Against: 0
Abstentions: 4

The recommendations, as amended, were then moved by the Chair, seconded by Councillor J W Boyce and it was

RESOLVED THAT:

Approval be given to commence procurement for a contract to deliver the housing repairs, maintenance and void programme.

Votes For: 6
Votes Against: 0
Abstentions: 4

75. STANDARDS & ETHICAL INDICATORS (Q2 2021/22)

The Committee gave consideration to the report as set out on pages 20 - 29 of the agenda, which asked it to note the figures for local determination of complaints and ethical indicators for Q2 2021-22.

It was moved by the Chair, seconded by Councillor J W Boyce and

UNANIMOUSLY RESOLVED THAT:

The content of the report and appendix be noted.

76. EXCLUSION OF THE PRESS AND PUBLIC

By affirmation of the meeting it was

UNANIMOUSLY RESOLVED THAT:

The press and public be excluded from the remainder of the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information) during consideration of the item below on the grounds that it involves the likely disclosure of exempt information, as defined in the respective paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act and, in all the circumstances, the public interest in maintaining the exempt item(s) outweighed the public interest in disclosing the information.

77. PROPOSED DISPOSAL OF COUNCIL-OWNED LAND IN OADBY (EXEMPT REPORT)

The Committee gave consideration to the exempt report, as set out on pages 30 - 70 of the private agenda reports pack.

It was moved by Councillor G A Boulter, seconded by Councillor J Kaufman and

RESOLVED THAT:

Permission for the proposed disposal of Council-owned land in Oadby be refused.

Votes For: 6
Votes Against: 4
Abstentions: 0

THE MEETING CLOSED AT 9.00 PM



Chair

Tuesday, 1 February 2022

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Council Offices, Station Road, Wigston, Leicestershire, LE18 2DR*

Agenda Item 7



| | | |
|--|--------------------------------------|--|
| Policy, Finance and Development Committee | Tuesday, 01 February 2022 | Matter for Information and Decision |
|--|--------------------------------------|--|

Report Title: **Financial Outturn Report (Q3 2021/22)**

Report Author(s): **Comie Campbell (Head of Finance / Deputy Section 151 Officer)
Rashpal Sohal (Finance Manager)**

| | |
|---|--|
| Purpose of Report: | This report gives a summary of the overall Council position for the financial year 2021/22, as at the end of the third Quarter for both Revenue and Capital Expenditure. |
| Report Summary: | The Council has completed Quarter three of the 2021/22 financial year. The Council's General Fund is currently forecast to be overspent by £159K |
| Recommendation(s): | 1. That the contents of the report and appendix be noted; and 2. The Council Senior Leadership Team are to look at ways to continue to reduce the overspend. |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | Tracy Bingham (Director / Section 151 Officer) tracy.bingham@oadby-wigston.gov.uk Comie Campbell (Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 comie.campbell@oadby-wigston.gov.uk Rashpal Sohal (Finance Manager) (0116) 257 2705 rashpal.sohal@oadby-wigston.gov.uk |
| Corporate Objectives: | Providing Excellent Services (CO3) |
| Vision and Values: | "A Stronger Borough Together" (Vision) Accountability (V1) |
| Report Implications:- | |
| Legal: | There are no implications arising from this report. |
| Financial: | The implications are as set out throughout the report. |
| Corporate Risk Management: | Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9) |
| Equalities and Equalities Assessment (EA): | There are no implications arising from this report. EA not applicable |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |
| Statutory Officers' Comments:- | |

| | |
|---------------------------|--|
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | The report is satisfactory. |
| Monitoring Officer: | The report is satisfactory. |
| Consultees: | Senior Leadership Team. |
| Background Papers: | None. |
| Appendices: | 1. Capital Programme (Q3 2021/22) |

1. Introduction

1.1 In February 2021, the Council approved a General Fund budget for 2021/22 of £7.081m.

2. General Fund Summary Position

2.1 Across the departments as a whole, the Council, as at Quarter 3 is expecting to report a net £159K overspend which represents 2% variance of the overall Council Revenue budget. This is a reduction of (£335k - £159k) £176k on the position reported to members at Quarter 2.

2.2 This reduction has been achieved by a combination of garden waste exceeding its budget by £119k, carpark income generation and the reduction in Covid related budget provision. Further reductions in the overspend may be possible dependent on the continued reduction of the budget provision for Covid related activities and additional income being generated by Car parking.

3. Actions

3.1 The Council will continue to look at ways to mitigate the forecast £159k overspend reported for Quarter 3.

3.2 One area flagged for further review is agency costs. Generally agency staff cover whilst recruiting to vacant posts especially where the Council has a statutory obligation to provide a certain service. Some job post although advertised, are very difficult to recruit to which has resulted in the extended stay of agency or staff on short term fixed term contracts.

3.3 In general, additional temporary staffing costs (either agency or on fixed term contracts) have been fully covered by specific Covid related grants. As previously mentioned, savings in the Senior Leadership team have offset some of these additional staffing costs.

4. Forecast for Each Service Area

4.1 **Senior Leadership Team (SLT) - Forecast Underspend (£225K).** The forecast underspend relates to two vacant Director Posts. The Director (S151 Officer) post is due to start at the end of January 2022. Recruitment for the other Director post is will take place in the first Quarter of 2022/23.

4.2 **COVID-19 – Forecast breakeven.** Since the Quarter 1 report qualifying expenditure has been recharged to the Covid 19 cost centre see **Table 2**. The forecast is to breakeven although it is still possible Covid 19 related expenditure exceeds the amount of grants receivable.

Table 1 - Summary General Fund and COVID 19 Monitoring

| General Fund Budget Monitoring 2021/22 | Covid 19 Forecast by 31.03.2022 |
|---|--|
| | 2 |
| | £'000 |
| Salaries and Agency Staff Costs | 699 |
| Supplies and Services | 140 |
| Costs Related to COVID-19 Support | 839 |
| Estimated Grants/Income to be Received | (839) |
| Net COVID-19 Costs | (0) |

- 4.3 The Council receives various Covid related grants to meet the additional costs incurred due to the Covid 19 pandemic. The levels of funding has reduced in 2021/22 but there are still residual additional costs the Council has to meet to deliver it services and support. Grants received so far include COVID-19 Section 31 grant and containment funding.
- 4.4 The Council has also submitted a claim for the lost fees and charges for Quarter 1 (April to June 2021) of this financial year and this is included in the forecast position. This income claimed will not meet the full cost of lost income and is only up to the end of June 2021. Covid 19 restrictions in England ended on 19th July 2021 but currently there is no provision to claim from the end of June 2021 to the 19th July 2021. No further funding has been made available for the rest of the financial year.
- 4.5 The Council has continued to administer the payment of Government Covid 19 grants to local business throughout the year which has required additional staffing or existing staff being redirected from their main job role to assist with this process. Recently on the 17th January three Business grant support schemes were opened to local business. These are LLEP, ARG (Additional Restrictions Grant) and the Omicron retail and Leisure Services grant. Remaining ARG funding and top up ARG grants along with new Omicron grant will fund these Business grants.
- 4.6 **Finance and Resources – Forecast Underspend (£29K).** This forecast overspend is a net result of variances across the service. The most significant ones are set out in the table below.

| Service | Variance £'000 | Reason for variance |
|------------------------------------|---------------------------|--|
| Corporate Management | (284) | A reduction in provision for Covid 19 expenditure. |
| Corporate Management Non-Financial | 58 | An increase in the Council pension lump sum contributions - £53K |
| Finance | (23) | Forecast saving in staff costs due to finance staff vacancies and staffing costs being funded from Covid grants. |

| | | |
|-----------------------|-------------|--|
| Cemeteries | 16 | Forecast increase in staff costs due not yet achieved staff savings in the service due to the profiling of targeted savings. |
| Car Parks | 160 | Forecast non-achievement of income due to delayed implementation of the new Car parking charges system |
| Facilities Management | 44 | Forecast increase in staff costs due to salary increases and an additional post in the service |
| Total | (29) | |

4.7 **Law & Democracy – Forecast Overspend £108K.** This forecast overspend mainly relates to significant reduction of £300K in the income expected from the Selective Licensing Scheme.

| Service | Variance £'000 | Reason for variance |
|---|---------------------------|---|
| Selective Property Licensing Scheme | 282 | Incorrect budget on selective property licencing of £550k, this has been addressed in budget gap work |
| Licensing Service | (21) | salaries savings to budget |
| Legal & Admin Service | (66) | Salary savings due to one salary part posted to Covid-19 expenditure. |
| Democratic Representation & Management | 26 | These are related to staff costs and they cross between staff coded here and in Legal & Admin Services (which is currently favourable to budget) offset these costs |
| Environmental Health Administration / Enforcement | (63) | vacant position saving |
| | (50) | Covid 19 Funding Reallocation |
| Total | 108 | |

4.8 **The Built Environment – Forecast Overspend £238K.** The main factors contributing to the department's net overspend are set out in the table below.

| Service | Variance £'000 | Reason for variance |
|----------------|---------------------------|----------------------------|
|----------------|---------------------------|----------------------------|

| | | |
|--|------------|--|
| Planning | 140 | Forecast increase in agency costs to cover two vacant hard-to-fill posts in the service. The decision to increase hired staff till March 22 is forecasted in to help with reduction of backlog. Two permanent officers post have now recently been filled. |
| Homelessness | 102 | Number of people in need of assistance has drastically increased because of the Covid-19 pandemic. HB are covering some of the increased spend. Looking at other ways to mitigate this. |
| Building Control | 16 | Forecast reduction in Building Control income |
| Economic Development | (27) | Additional staff capitalisation income due to officer time being charged to capital projects in the borough - specifically the move to new Council Offices |
| Belmont House Hostel | 37 | There was income in the budget that due to the current climate will not be achievable |
| | (28) | Covid 19 Funding Reallocation |
| Across all of the Built Environment Service Area | (2) | Minor overspends and underspends across the service area |
| Total | 238 | |

4.9 **Community & Wellbeing – Forecast Underspend (£46K).** The forecast overspend in this department is mainly due to the items set out in the table below.

| Service | Variance £'000 | Reason for variance |
|----------------------------------|---------------------------|--|
| Mechanics Workshop | 34 | Water Bill Backdated Oct19 - Aug21. Previously paying estimates till this year. |
| Garden Waste Collection | (119) | Increase in income in garden waste permits. This was due to demand being better than expected. |
| Domestic Refuse Collection | 31 | Forecast increase in staff costs relating to Agency cover for year |
| Swimming Pool and Leisure Centre | 88 | Forecast reduction in income expected from the leisure centre |

| | | |
|-----------------------|-------------|---|
| Recreation & Leisure | (49) | Salary savings to forecast due to a position being externally funded |
| Community Development | (31) | Salary savings along with release of budgets due to no external events held this year |
| Total | (46) | |

4.10 **Customer Services and Business Transformation – Forecast Overspend £77K.** This service area includes Customer Services, System Support and Transformation Services including the newly-created in-house IT team. The forecast overspend is due to the following items set out in the table below.

| Service | Variance £'000 | Reason for variance |
|--|---------------------------|---|
| Systems Administration | 109 | Forecast increase in staff costs £23k due to agency staff covering a vacancy and the reallocation of staff into the service without the appropriate budgets. Loss of legacy staff costs £83k capitalisation income as project is now complete |
| Customer Service Improvement | 39 | This variance relates to the cost of the Welland Procurement Service that was not budgeted for. |
| Customer Service Improvement | 16 | Variance is as a result of forecast additional staff costs in the service |
| Customer Service | 30 | Forecast increase due to additional personnel requirements without appropriate budgets, increase in additional laptops costs and software costs |
| Customer Services | (59) | Underspend is as a result of the closure of the Customer Service Centre |
| ICT | (23) | Some costs in ICT capitalised due to the recent project |
| Telephones | 52 | Forecast increase in telephone services costs |
| Customer Services staff cost increases to be recharged | (81) | Covid 19 Funding Reallocation |
| Total | 77 | |

4.11 A summary of the overall General Fund Budget and Forecast Outturn at service level is set out in **Table 2**.

Table 2 - General Fund Budget Monitoring

| Service | Revised Budget 2021/22 | YTD | Forecast Outturn | Variance |
|--|------------------------|------------------|------------------|----------------|
| | £ | £ | £ | £ |
| Senior Leadership Team | 471,500 | 158,922 | 246,400 | (225,100) |
| Covid 19 Funding | 0 | 0 | 0 | 0 |
| Finance & Resources (Including Corporate Budgets) | 3,373,725 | 5,965,869 | 3,344,525 | (29,200) |
| Law & Democracy | 165,060 | 278,527 | 272,651 | 107,591 |
| The Built Environment 1 & 2 | 966,600 | 573,097 | 1,204,233 | 237,633 |
| Community & Wellbeing (inc Depot) | 941,466 | 641,517 | 895,231 | (46,235) |
| Customer Service & Business Transformation | 1,343,300 | 1,220,231 | 1,420,000 | 76,700 |
| HRA Recharge | (1,195,000) | (896,250) | (1,195,000) | 0 |
| Capital Financing | 1,015,000 | 761,250 | 1,053,000 | 38,000 |
| | 7,081,651 | 8,703,161 | 7,241,040 | 159,389 |

5. Capital Programme

5.1 The 2021/22 Capital Programme was set at Full Council in February 2021 and amended in September 2021. **Table 3** shows a summary of the 2021/22 capital programme and the full capital programme is shown in **Appendix 1**.

Table 3 - Capital Programme Summary

| Fund | Revised Budget 2021/22 | Spend To Date | Variance to Budget |
|--------------------------------|------------------------|---------------|--------------------|
| | £'000 | £'000 | £'000 |
| General Fund | 4,610 | 1,596 | (3,014) |
| Housing Revenue Account | 2,449 | 2,069 | (380) |
| Total | 7,059 | 3,665 | (3,394) |

The Modular Homes Development (£3.8M) and Oadby Pool (£6.415M) projects were removed from the programme due to concerns regarding their affordability. New schemes in-year include the New Council Offices (£1.8M), ICT Transition (£750K), and Housing Development (£500K), and Pay & Display (£95K).

Although the New Council Office and Housing Development schemes were added to the 21/22 capital programme, disruptions caused by the pandemic mean that both of these projects are likely to slip into 22/23. Extremely poor take-up of the Private Sports Grants scheme (£195K) has resulted in the decision to transfer the funding to the Sports Facility Improvement Programme, in order to fund an expanded programme of works. The Coombe Park Pavilion Extension project

(£170K) is on hold pending the receipt of the relevant S106 funding from the Cottage Farm development.

6. Housing Revenue Account (HRA)

- 6.1 The Housing Revenue Account opening balance as at 1st April 2021 on its main reserve was £1.339m. In 2021/22 the account has been forecast to have a budget deficit of £150K leaving an estimated HRA Reserve balance of £1.188m.
- 6.2 The position on the account as the end of Quarter 3 is set out in **Table 4** below.

Table 4 - HRA Position Qtr. 3

| | Forecast Outturn 2021/22 |
|--|-------------------------------------|
| | £'000 |
| Net Cost of Services on the HRA | (415) |
| Capital Charges | 565 |
| Revenue Contributions to Capital Appropriations to Earmarked Reserves | 0 |
| | 150 |

Actual Balance b/f HRA a/c (1,339)

Budget Deficit in the Year 150

Balance c/f HRA a/c (1,188)

HRA

| Service | Variance £'000 | Reason for variance |
|-------------------------|---------------------------|---|
| Housing Revenue Account | 176 | Depreciation £207k is based on the asset values and useful life from most recent annual accounts after allowing for an increase of 3% for an increase in asset base |
| Estate Management | (18) | Computer Software - the new Asset Management module of Orchard has not been purchased £16k along with a managed service for the system |

| | | |
|-----------------------|------------|--|
| Repairs & Maintenance | 140 | Outturn for this year is based on actual spend each month while taking into account commitments on Orchard. 2020/21 saw a backlog of work due to the pandemic. This is now being caught up resulting in an increase in expenditure which is funded by the increase in reserve from the 20/21 surplus |
| Capital Charges | (60) | Based on the capital programme and current borrowing requirement interest will not reach the levels budgeted for. |
| Appropriations | (91) | Not required. |
| | 3 | Other |
| Total | 150 | |

APPENDIX 1 - OADBY AND WIGSTON BOROUGH COUNCIL CAPITAL PROGRAMME

| Project Code Reference | Scheme | 2021-22 Total Budget as at Quarter 3 | Actual to December-21 | Variance | Comments |
|------------------------|--|--------------------------------------|-----------------------|------------------|---|
| | Housing Revenue Account | | | | |
| 50003 | Central Heating | 111,000 | 110,974 | (26) | Emergency and urgent boiler replacements only. We have suspended boiler replacement due to the need to consider renewable energy boilers and the possibility of grant funding being made available to support our programme. We have also commissioned a Stock Condition Survey review which will take into account issues such as insulation, energy efficiency and renewable sources. |
| 50006 | Front & Rear Doors | 9,800 | 19,128 | 9,328 | Emergency and urgent works only being carried out. |
| 50016 | Decent Homes Work | 1,303,900 | 1,297,452 | (6,448) | From our autumn/winter programme we expect an estimated 5 properties to be removed from the programme at the tenant's request. |
| 50017 | Major Adaptations | 100,000 | 46,433 | (53,567) | No issues at present in respect of the adaptations scheme |
| 50019 | Fire Safety | 150,000 | 0 | (150,000) | Purchase orders raised against 50046 by mistake. Fully committed, but may not be spent in year. |
| 50021 | Timber Window Replacement incl external entrance / fire doors Kings Drive Area | 41,400 | 3,811 | (37,589) | Quotes coming in. Expect to spend in full. |
| 50029 | New Housing Initiatives | 250,200 | 262,837 | 12,637 | Purchase of two properties using 1-4-1 receipts |
| 50030 | Communal Heating System William Peardon Court | 3,800 | 3,764 | (36) | Residual costs |
| 50046 | Kitchen Replacements Decent Homes, incl Bathrooms 2018/19 | 366,600 | 215,505 | (151,095) | Some carry-forward possible. |
| 50047 | Housing Block Improvements | 98,800 | 106,154 | 7,354 | New roofs and door entry system works completed. |
| 50048 | Asset Management System Upgrades | 13,400 | 3,334 | (10,066) | Residual costs |
| | Total - HRA | 2,448,900 | 2,069,392 | (379,508) | |
| | General Fund - Service Delivery | | | | |
| 52002 | Disabled Facilities Grant | 0 | 440,352 | 440,352 | Passporting of DFG to Lightbulb. To be transferred to revenue |
| 52092 | Oadby Pool Housing Project | 0 | (55) | (55) | Scheme cancelled |
| 52093 | Railway Corridor | 0 | 15,432 | 15,432 | Remaining costs. Will complete this year. |
| 53905 | Local Authority Delivery 2 | 0 | (87,914) | (87,914) | Implementation of energy efficiency measures in eligible residential properties. Grand funded. Net zero cost. Scheme runs until 31/12/22, so likely to be carry-forward |
| 54010 | Play Area Refurbishments | 8,400 | 0 | (8,400) | Should complete in year |
| 54017 | Xmas Decorations | 7,500 | 5,670 | (1,830) | Project now complete |
| 54055 | Brocks Hill Car Park Drainage | 4,000 | 0 | (4,000) | Project complete. Residual budget. |
| 54080 | Horsewell Lane Pavilion | 0 | (8,550) | (8,550) | Residual costs of Horsewell Lane Project. |
| 54114 | Car Park Resurfacing | 36,700 | 2,270 | (34,430) | Hope to spend most this before year end. |
| 54147 | Recycling Wheelie Bins | 0 | 25,825 | 25,825 | Replacement recycling bins. |
| 54151 | Air Monitoring Equipment | 0 | 8,680 | 8,680 | £6K refund for inadequate works received and taken to balance sheet in previous year, offsetting this cost. |
| 54154 | Kilby Bridge Canal & Towpath | 56,300 | 50,368 | (5,932) | Project complete. |
| 54157 | Electric Car Charging Point | 0 | 22,818 | 22,818 | Project now complete. Awaiting final grant funding installation. Net zero cost. |
| 54159 | Pay & Display Scheme | 95,000 | 110,993 | 15,993 | Work has commenced on the project & is on going. Overspend due to the requirement to purchase 'new' rather than 'refurbished' machines & additional signage. |

| Project Code Reference | Scheme | 2021-22 Total Budget as at Quarter 3 | Actual to December-21 | Variance | Comments |
|------------------------|--|--------------------------------------|-----------------------|-----------|--|
| 54566 | Brocks Hill Additional Play Equipment | 82,000 | 0 | (82,000) | Quotes being obtained, but physical works likely to slip into 22/23 |
| 54568 | Coombe Park Pavilion Extension | 170,000 | 0 | (170,000) | Project funded by S106 income as part of the Phase 2 of Cottage Farm. Project to begin when income received. |
| 54570 | Footpaths in Blaby Road Park | 9,000 | 0 | (9,000) | H & S Assessment complete. Work required, due to capacity this will possibly not commence until 22/23. |
| 54574 | Pitch Improvement Programme | 80,000 | 0 | (80,000) | Work can not start till the end of the football season, so will slip into 22/23 |
| 54575 | Private Sports Grants | 195,000 | 0 | (195,000) | Project cancelled at service delivery committee. S106 funding to be reallocated to new projects, which will likely not start until 22/23 |
| 54576 | Repairs to play area surface various play areas | 15,900 | 2,700 | (13,200) | Areas identified requiring repair. Work underway |
| 54578 | Town Centre Wi-Fi | 113,400 | 58,787 | (54,613) | Match funding has now been confirmed. Expect to complete in year. |
| 54581 | Wigston Town Centre Car Parks | 100,000 | 0 | (100,000) | Consultants to be used for the project. Additional funding expected from 'Levelling Up' fund. To be carried forward into 22/23 |
| 54582 | Blaby Road Pavilion Sewage Pumping System | 5,500 | 0 | (5,500) | Quotes are now in. Expect to spend in-year |
| 54583 | Oadby Cemetery – Biere House structural repairs | 20,000 | 0 | (20,000) | Quotes are now in. Awaiting start date. Expect to spend in-year. |
| 54584 | Uplands Park Pavilion – replacement boiler and floor repairs | 16,000 | 2,815 | (13,185) | Boiler replaced. Awaiting further quores on floor. Should be completed in year. |
| 54585 | Wigston Cemetery – entrance drive resurfacing and disabled parking | 12,000 | 0 | (12,000) | No update at present, to commence after the completion of other projects. Possibly defer to 22/23. |
| | Redeployable CCTV Camera Upgrade | 30,000 | 0 | (30,000) | Expect to complete in-year |
| | William Gunning Park Drainage | 20,000 | 0 | (20,000) | On hold pending resolution of liability issues for flooding. |
| | Modular Homes Developments | 0 | 0 | 0 | Scheme cancelled |
| | Oadby Pool | 0 | 0 | 0 | Scheme cancelled |
| | Replacement of Grounds Maintenance Dennis bowling green mower | 6,000 | 0 | (6,000) | Expect to procure this year. |
| | Replacement of Grounds Maintenance Vehicle FE09 XOT | 30,000 | 0 | (30,000) | Expect to procure this year. |
| | Replacement of Grounds Maintenance Vehicle FG12 MVN | 33,000 | 0 | (33,000) | Expect to procure this year. |
| | Sports Facility Improvement Programme | 220,000 | 0 | (220,000) | Project cancelled at service delivery committee. S106 funding to be reallocated to new projects, which will likely not start until 22/23 |
| | Housing Development | 500,000 | 0 | (500,000) | Potential schemes under development, but most of funding likely to slip into 22/23. |
| | Economic Development Capitalisation | 0 | 0 | 0 | Expect £164K of capitalisation for economic development staff time. |
| | Facilities Management Capitalisation | 0 | 0 | 0 | Expect £25K of capitalisation for facilities management staff time. |
| 56001 | Council Office Refurbishment | 31,200 | 0 | (31,200) | Residual budget from previous years. Uncommitted. Move 8.4K to cover overspend on 56080 |
| 56003 | Customer Services | 0 | (146) | (146) | Deletion of obsolete PO. |
| 56010 | IT Replacement Programme | 30,200 | 3,323 | (26,877) | Budget from old ICT arrangements. Now obsolete |
| 56016 | Home & Mobile Working | 0 | 4,761 | 4,761 | Misc hardware for home working. |
| 56037 | PARIS Upgrade | 0 | 14,740 | 14,740 | Residual costs. Expect full spend £16K. |
| 56044 | New Income Management System | 0 | 1,404 | 1,404 | See above |
| 56055 | Document Management System Software | 24,400 | 5,746 | (18,654) | Move. £12.2K to 56084. Residue likely to slip into 22/23 |
| 56056 | Server / Network Hardware Replacements | 11,000 | 3,567 | (7,433) | Budget from old ICT arrangements. Now obsolete |
| 56069 | Licensing Service Software Review | 8,900 | 0 | (8,900) | Project complete. Budget no longer required. |
| 56072 | South Wigston Shop Fronts | 6,100 | 0 | (6,100) | S106. Managed by Mark H. Expenditure as and when a grant is applied for. |
| 56076 | Windows server migrations | 5,000 | (980) | (5,980) | Budget from old ICT arrangements. Now obsolete |

| Project Code Reference | Scheme | 2021-22 Total Budget as at Quarter 3 | Actual to December-21 | Variance | Comments |
|------------------------|---|--------------------------------------|-----------------------|--------------------|--|
| 56079 | Enterprise for Uniform | 0 | (80) | (80) | Deletion of obsolete PO. |
| 56080 | Bushloe House Chimney Stack | 10,000 | 18,441 | 8,441 | Project now complete. Overspend covered from 56001 |
| 56081 | IT Transition | 750,000 | 873,341 | 123,341 | Unknown yet what full costs will be. £189K of costs belong in revenue or in payments in advance, £220K estimated salary capitalisation. £150K of Purchase Orders relating to future years. |
| 56082 | Bushloe House Car Park Surface repairs and lining | 28,000 | 0 | (28,000) | Work unable to progress due to test centre. To be removed from the 21/22 programme. |
| 56083 | Remote Working - Regulatory Services | 12,700 | 8,732 | (3,968) | Project complete. |
| 56084 | IDOX Upgrade | 0 | 12,116 | 12,116 | Project complete. Cover from 56055. |
| 56085 | New Council Offices | 1,800,000 | 1,250 | (1,798,750) | Move to Brocks Hill. Preliminary budget. Expect overwhelming bulk of expenditure to occur in 22/23 |
| | Data Centre | 16,500 | 0 | (16,500) | Budget from old ICT arrangements. Now obsolete |
| | HR Software | 10,000 | 0 | (10,000) | No longer required. Projected costs not eligible for capitalisation. |
| | Total - General Fund | 4,609,700 | 1,596,406 | (3,013,294) | |
| | PLANNED EXPENDITURE GRAND TOTAL | 7,058,600 | 3,665,798 | (3,392,802) | |

Agenda Item 8



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|--|----------------------------------|--|
| Policy, Finance and Development Committee | Tuesday, 01 February 2022 | Matter for Information and Decision |
|--|----------------------------------|--|

Report Title: **Draft Budget and Medium Term Financial Strategy (2022/23) Update**

Report Author(s): **Comie Campbell (Head of Finance / Deputy Section 151 Officer)
Jo Nacey (Interim Senior Finance Strategy Manager)**

| | |
|---|--|
| Purpose of Report: | The report details the Budget position for 2022/23 and the forecast MTFP position with a view to the Committee recommending the actions to close the budget gap to Full Council. |
| Report Summary: | The report sets out the draft budget estimates for 2022/23, Medium Term Financial Plan (MTFP) forecasts, and 2022/23 Capital Programme and the proposed sources of funding. |
| Recommendation(s): | <p>A. That the Committee notes the S151 Officer’s statement on the robustness of the budget and the adequacy of reserves as set out in Appendix 3.</p> <p>B. That the Committee recommends Full Council approve the Draft Revenue Budget, subject to any final adjustments as may be required for new information prior to Full Council (such as the NNDR1 final estimates and the Final Finance Settlement 2022/23).</p> <p>C. That the Committee recommends to Full Council a basic Band D Council Tax of £239.50.</p> <p>D. That the Committee recommends that Full Council approve the HRA budget for 2022/23 as detailed in Appendix 1.</p> <p>E. That the Committee recommends that Full Council approves the new Capital Schemes of the General Fund and HRA.</p> <p>F. That the Committee recommends that Full Council approve the Capital Strategy at Appendix 5.</p> |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | <p>Tracy Bingham (Director / Section 151 Officer) Tracy.Bingham@oadby-wigston.gov.uk</p> <p>Comie Campbell (Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 Comie.Campbell@oadby-wigston.gov.uk</p> <p>Jo Nacey (Interim Senior Financial Strategy Manager) (0116) 257 2706 Jo.Nacey@oadby-wigston.gov.uk</p> |
| Corporate Objectives: | <p>Building, Protecting and Empowering Communities</p> <p>Growing the Borough Economically</p> <p>Providing Excellent Services</p> |

| | |
|--|--|
| Vision and Values: | "A Strong Borough Together" (Vision) Innovation (V4) |
| Report Implications:- | |
| Legal: | There are no implications arising from this report. |
| Financial: | This report sets out the General Fund, Housing Revenue Account and Capital Programme and Strategy for 2022/23, which are needed for the Council to continue to deliver its services to residents, tenants and businesses. It also seeks approval for the basic level of Council Tax for 2022/23. |
| Corporate Risk Management: | Decreasing Financial Resources (CR1) Effective Utilisation of Assets/Buildings (CR5) Regulatory Governance (CR6) Organisational/Transformational Change (CR8) Economy/Regeneration (CR9) |
| Equalities and Equalities Assessment (EA): | There are no implications arising from this report. EA not applicable. |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |
| Statutory Officers' Comments:- | |
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | As the author, the report is satisfactory. |
| Monitoring Officer: | The report is satisfactory. |
| Consultees: | None. |
| Background Papers: | None. |
| Appendices: | Appendix 1: HRA Appendix 2: Capital Programme Schemes Appendix 3: Robustness of Reserves Appendix 4: Flexible use of Capital Receipts Policy Appendix 5: Capital Strategy |

1. Introduction

- 1.1 The report sets out the draft estimates for 2022/23, Medium Term Financial Plan (MTFP) forecasts, and the 2022/23 Capital Programme and the proposed sources of funding.
- 1.2 As reported in our report to Full Council in December 2021, the Provisional Settlement has now been announced and has indicated some additional grant finding which has been added to our "gap" table. The Settlement is again, a one-year allocation which is not helpful for planning purposes. We still await details of a revised New Homes Bonus scheme and the results of the Fair Funding Review and Business Rates reset. These are not now expected until 2023/24.

- 1.3 The report details the latest position and the proposal to close the residual budget gap with the use of reserves.

2. Medium-Term Financial Strategy (MTFS)

- 2.1. Our current medium term financial plan looks ahead to the forthcoming five-year period and projects a sizeable budget gap from 2022 which is forecast to increase year on year if corrective action is not undertaken.
- 2.2. The current General Fund budget gap for the financial year 2022/23 is summarised in the table below. The table shows the movement in the gap over the Medium term. The budget gap position takes into account key assumptions that are set out later in the report.

General Fund MTFP table:

| | 2021/22 | 2022/23 | 2023/2024 | 2024/2025 | 2025/2026 | 2026/2027 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| Net Service Costs | 6,018,651 | 5,681,391 | 5,933,062 | 6,175,172 | 6,351,672 | 6,530,074 |
| Net Interest Costs | 210,900 | 220,900 | 226,300 | 233,600 | 233,600 | 233,600 |
| Provision for Repayment of Borrowing | 852,100 | 505,300 | 614,850 | 660,800 | 708,750 | 708,750 |
| Earmarked Reserves - Other | -579,827 | -244,327 | 0 | 0 | 0 | 0 |
| General Reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Budget Requirement | 6,501,824 | 6,163,264 | 6,774,212 | 7,069,572 | 7,294,022 | 7,472,424 |
| Funded By: | | | | | | |
| Retained Business Rates | -2,120,801 | -1,655,319 | -1,692,878 | -1,753,206 | -1,819,810 | -1,954,388 |
| Business Rates prior year (surplus)/deficit | 2,178,713 | 45,495 | 45,495 | 0 | 0 | 0 |
| S31 Business Rates EMR Funding | -2,178,713 | 0 | 0 | 0 | 0 | 0 |
| Pooling Dividend | 0 | 0 | 0 | 0 | 0 | 0 |
| Lower Tier Grant | | -69,182 | 0 | 0 | 0 | 0 |
| Services Grant - One-off | | -106,320 | 0 | 0 | 0 | 0 |
| Covid Support Grant | -242,000 | 0 | 0 | 0 | 0 | 0 |
| New Homes Bonus | -195,000 | -131,610 | 0 | 0 | 0 | 0 |
| Council Tax—ODBC | -4,117,515 | -4,215,703 | -4,346,745 | -4,479,997 | -4,615,485 | -4,753,236 |
| Council Tax prior year (surplus)/deficit | 173,492 | -30,625 | 16,936 | 0 | 0 | 0 |
| Total Funding | -6,501,824 | -6,163,264 | -5,977,192 | -6,233,203 | -6,435,295 | -6,707,624 |
| Gap – Increase/In-year | 0 | 0 | 797,019 | 39,349 | 22,357 | -93,927 |
| Gap – Cumulative | 0 | 0 | 797,020 | 836,369 | 858,727 | 764,800 |

- 2.3. Like all councils, the one-year settlement provided as part of the provisional local government finance settlement means that understanding our funding post 2022/23 is extremely difficult. The Council's ability to offset any reduction in its funding through growth, and thereby new homes bonus and additional council tax, is limited. However, the council performs well compared to peers in respect of the level of council tax per head, having taken advantage of the flexibility to increase council tax year on year.
- 2.4. The changes to the funding regime anticipated as part of the Fair Funding review and Business Rates Reform aren't likely to hit the Council's finances as hard as may be the case for some authorities, but we still expect our modest business rates funding to reduce in the future when these reviews are implemented. As a result, we expect the council will be worse off over the coming five year period to 2026/27.
- 2.5. Ensuring financial sustainability both as a result of and in spite of future funding changes remains a key challenge for the council. Building on the recommendations made as part of the 2021 Local Government Association Financial Health Check, we recognise the need for a strategy and over the course of the coming year, the new Strategic Director will lead the development of a new Medium-Term Financial Strategy document which will set out how the organisation will overcome the financial challenges ahead and include a clear and deliverable Member-approved plan.

3. 2022/23 General Fund Revenue Budget and Medium Term Financial Plan

- 3.1. The General Fund Revenue Account is the Council's main fund and shows the income and expenditure relating to the provision of services which residents, visitors and businesses all have access to including planning, environmental services, car parks, certain housing functions, community services and corporate services.
- 3.2. The Council directly charges individual consumers for some of its services through fees and charges. The expenditure that remains is mainly funded through a combination of local taxation (including council tax and a proportion of business rates) income and through grant funding from Central Government (including New Homes Bonus and other non-ring-fenced and specific grants/subsidy).
- 3.3. Each year the Council sets an annual budget which details the resources needed to meet operational requirements. The annual budget should be prepared within the context of priorities and objectives identified by Members which are embedded in the Council's current Corporate Strategy.
- 3.4. The Draft Budget included in this report sets out a proposed balanced budget position for 2022/23. The Gap Tracker in Section 5 will show that the Council has had to resort to closing the budget gap by using £244,000 of earmarked reserves which have become available due to a review - these reserves have been identified as no longer being required for the original purpose they were established or set aside for and have remained unspent for some time.
- 3.5. Clearly, utilising reserves to balance the budget on an ongoing basis is not sustainable. Section 12 will highlight the actions which will be needed in order to provide a sustainable position and show that the Council is a Going Concern and has plans to close future budget gaps.

4. Key assumptions

- 4.1. A number of assumptions have already been made in arriving at the current budget position for 2022/23. Costs have been uplifted in a number of areas in line with inflation assumptions. Some areas such as Electricity and Water have been increased significantly. We have used Office for Budget Responsibility (OBR) forecasts and trend analysis to estimate usage and inflationary impact.
- 4.2.
 - Council Tax increase of £5 at Band D;
 - Staff cost inflation of 2%;
 - HRA recharge of 3.75%
 - Utilities – at various rates
 - Interest Rates - reflect the recent increase in Bank of England Base Rates;
 - A 98.5% Council Tax Collection Rate.
- 4.3. Of particular significance are changes to the core budget for 2022/23 also include:
 - The removal of the COVID contingency budget of £500,000;
 - Savings of £117,500 in relation to funds set aside for the Local Plan Reserve; and
 - Fees and charges increases that were agreed at Council in December 2021 – £117,000

5. Gap tracker

- 5.1. The budget gap of £200,565 was reported to Full Council in December. Since that time we have updated our estimates to show the latest position. These updates are listed below:

Summary of Budget changes since December 2021 Full Council:

| Base Budget 2022/23 | Movement (£) | Budget Gap (£) |
|---|-----------------|-------------------|
| Budget Gap as at Full Council 21 Dec 2021 | | 200,565 |
| Latest CT forecast - includes growth | 45,026 | 245,591 |
| Latest Interest payable estimate | 10,000 | 255,591 |
| MRP update following Capital Programme approval | 36,297 | 291,888 |
| Updated CT deficit 21/22 position (now in surplus) | -47,561 | 244,327 |
| Budget Gap funded from Earmarked Reserves | -244,327 | 0 |
| Budget Gap as at PFD Committee 1 Feb 2022 = £0 | | 0 |

- 5.2. The budget summary shows the Authority is intending to close the residual gap by using Earmarked reserves which have been repurposed. The use of reserves to close a budget gap should be a last resort as it does not address the ongoing pressure. We discuss this further later in the report.

6. Council Tax

- 6.1. Following confirmation in the Provisional Finance Settlement that Districts are able to increase Council Tax by up to the greater of 1.99% or £5 (on a Band D) in 2022/23 without the need for a referendum, Full Council, at the December meeting, were minded to approve the £5 increase on annual Band D Council Tax to £239.50. This represents an increase of 2.13% - 10 pence per week for a Band D Taxpayer.
- 6.2. The Council Tax Base for 2022/23 is 17,602 properties.1 Band D Equivalent, an increase of 43.4 (0.25%) compared to the 2021/22 tax base. This has been communicated to the major preceptors, for use in their funding calculations.
- 6.3. The budget estimates for Council Tax income for OWBC is therefore 17,602.1 x £239.5 = £4,215,703. This represents a total increase of £98,188 compared to the previous year. The budget estimates are calculated as follows:

| | £ |
|---|------------------|
| Council Tax Income Budget 2021/22 | 4,117,515 |
| Increase due to change in Tax Base (Band D equivalents) | 10,177 |
| Increase due to £5 increase in Tax Rate | 88,011 |
| Council Tax Income Estimate 2022/23 | 4,215,703 |

7. Business Rates Retention

- 7.1. We receive a significant proportion of our funding through the Business Rates Retention (BRR) System. OWBC operates within the Leicestershire Business Rates Pool which provides the opportunity to retain the majority of business rates growth levy that would be paid to Central Government outside of a pool.

- 7.2. We provided the following table to Full Council in December. We are still compiling the finalised NNDR1 figures which will be completed in January and give us our position for 2022/23. Currently the figures are as below.

Business Rates Retention Provisional Estimates – as at December 2021

| Business Rates Retention Provisional Funding Estimates | 2022/23 Provisional Estimates £ |
|---|--|
| Share of Business Rates Yield | 4,072,760 |
| Rates yield from renewable energy | 8,446 |
| Tariff to Government | -3,761,260 |
| Levy Payment | -11,188 |
| S31 Grant funding for Reliefs | 1,346,561 |
| Cost of Collection Grant | 55,451 |
| Net Retained Business Rates Funding | 1,710,770 |

- 7.3. The draft budget does not assume a pooling gain in 22/23 as this is subject to the completion of the NNDR1 initially. This will be updated following completion of the NNDR1 and will ultimately only be confirmed based on the outturn for the Pool at the end on next financial year. Final estimates will be reflected in the final budget report to Council in February.
- 7.4. The Government is still committed to reviewing the business rates retention and relative needs and resources funding distribution but the detail from the Autumn Statement suggests this has again been delayed, possibly to 2023/24 or even later.

8. Capital Budget

- 8.1. The 2022/23 New Proposed Capital Schemes total £5.052m which comprises of £3.830m HRA and £1.222m General Fund see **Table 1**. The HRA capital schemes include a budget of £2.330m for housing development at Horsewell Lane which would be funded by a combination of borrowing and the use of One for One capital receipts.
- 8.2. These new General Fund capital scheme budgets for 2022/23 include:
- An Invest to Save £0.350m and Transformation of £0.400m, which will facilitate income generation schemes coming in to operation from 2022/23 onwards. At this moment in time, these projects are yet to be defined. Further details will be brought back to Members for approval before any expenditure is incurred against these budget headings;
 - Energy efficient technologies at the site (£0.200m) would result in revenue savings by reduced energy costs and the wind turbine would be a source of income through excess electricity being sold back to the National Grid suppliers;
 - The Council is currently exploring options regarding a joint venture partnership for the development of the Oadby Pool site. The 2022/23 capital programme will likely need to be updated and brought back to Council for approval, depending how this progresses.

Table 1

| New Proposed Capital Schemes | Total 2022/23 |
|-------------------------------------|----------------------|
| Fund | £000's |

| | |
|-------------------------|--------------|
| Housing Revenue Account | 3,830 |
| General Fund | 1,222 |
| Total Programme | 5,052 |

The capital programme is shown in **Appendix 2** to this report.

8.3. Funding for the programme is likely to be as follows:

Table 2

| Funding | £000's |
|-------------------------------|---------------|
| Borrowing (General Fund) | 2,652 |
| Usable Capital Receipts | 400 |
| Usable 1 4 1 Capital Receipts | 500 |
| Major Repairs Reserve | 1,500 |
| Total | 5,052 |

8.4. Current schemes in the 2021/22 Capital Programme will be assessed, carried forward and brought to Members after year end. **Table 3** shows a summary of the current 2021/22 capital programme and the proposed new capital schemes for 2022/23.

Table 3 - Capital Programme Summary

| Fund | Revised Budget 2021/22 | New Schemes 2022/23 | Capital Total |
|--------------------------------|-------------------------------|----------------------------|----------------------|
| | £'000 | £'000 | £'000 |
| General Fund | 4,610 | 1,222 | 5,832 |
| Housing Revenue Account | 2,449 | 3,830 | 6,279 |
| Total | 7,059 | 5,052 | 12,111 |

9. Reserves

- 9.1. The Local Government Act 2003 requires the Council's Section 151 Officer to report on the robustness and sustainability of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This assessment is included at **Appendix 3**. It is particularly pertinent at this time to consider the level of reserves as, as a last resort, they may be called upon to close some of the budget gap. The Council's policy is to carry out an annual review of all reserves as part of the budget-setting process. This review includes identifying the reserves purpose and advising the appropriate level for each reserve. This work is being undertaken.
- 9.2. The Council General Fund Reserves balance need to be maintained at a level to enable the Council to mitigate any current or future risks. The General Fund balance is £1.348m and is forecast to be £1.189m at 1 April 2022, assuming current year financial outturn is as forecast at Q3.
- 9.3. Currently the Council is exploring income generation opportunities that will increase the level of reserves over the next few years to build resilience. Certain earmarked reserves,

identified as no longer being required, have been repurposed to assist in funding the 2022/23 budget gap of £0.244m.

9.4. General Fund Reserves Summary Table:

| Type of Reserve | 1 April 2021 Opening Balance £000s | Used to close budget/in-year variance £000s | 1 April 2022 Estimated Balance £000s |
|---|---|--|---|
| General Fund | 1,348 | -159 | 1,189 |
| Earmarked Reserves | 949 | -244 | 705 |
| Total Usable Revenue Reserves | 2,297 | -403 | 1,894 |
| Capital Reserves | 1,883 | -400 | 1,483 |
| Capital Grants Unapplied | 24 | 0 | 24 |
| Total Usable Capital Reserves | 1,907 | -400 | 1,507 |
| Ringfenced - Covid 19; Disabled Facilities and S31 Monies | 4,205 | -4,182 | 23 |
| Total General Fund Reserves | 8,409 | -4,985 | 3,424 |

9.5. Whilst at first sight, the reserves look reasonably healthy in 2021/22, c£1.5m of that is restricted in its use (capital). Our opening balance also includes a significant Covid-19 support balance (£1.7m) which may need to be returned to Central Government (this has been reflected in the table). We also hold £2.12m of S31 Collection Fund reserves which are directly linked to our Business Rates and will be used to offset volatility in the returns and also to fund the shortfall which has occurred directly in relation to business rates extended reliefs. These S31 funds are provided by Central Government to offset the reliefs given by the local authorities.

9.6. We also committed £579,827 (£500k for Covid Contingency) of earmarked reserves in 2021/22 to close the 2021/22 budget gap. This is reflected in the opening Earmarked Reserve Balance of £949k which has been reduced by that amount.

9.7. The in-year overspend is reflected against the first line of the table as this is customarily taken from the General Fund Reserve. This reserve must not fall below the minimum acceptable level of £700k. To ensure the reserve is maintained well above this level, the Council has reviewed its earmarked reserves and allocated the amount required to balance the budget for 2022/23, thereby maintaining the projected balance of £1.189m in April 2022. Clearly, for future years, the Council must seek to address the budget gap through the delivery savings and/or income generation and more detail around proposals will be brought back to members in due course.

10. The Housing Revenue Account (HRA)

10.1. The Housing Revenue Account (HRA) includes any expenditure associated with the Council's function as a social housing landlord and is shown in below. The items that can be debited and credited to the account are determined by statute. This includes an average rent increase of 4.1% (CPI +1%) for 2022/23, taking it to an average rent of £81.93 per week (increase of £3.23 per week). The increase of 4.1% has been applied to HRA associated services offered to tenants. Further details are shown in **Appendix 1**.

11 Flexible Use of Capital Receipts

11.1 The Spending Review 2015 allowed local authorities additional flexibility for the three year period 2016-17 to 2018-19 to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and support the delivery of future savings. This represented a significant departure from the previous requirements which restricted the use of receipts from asset sales to funding new capital investments.

- 11.2 This flexibility was subsequently extended until 2021/22. In the Provisional Settlement announced in December 2021, the Department for Levelling Up, Communities and Housing (DLUH) announced that this flexibility was to be extended again. We have still not however, had the details of this extended scheme. The DLUH have said *"We announced as part of the local government finance settlement in February 2021 that we would extend the flexibility to use capital receipts for further three years and at the time we said we would follow up with the details of the flexibility. Information on the parameters beyond 31 March 2022, including if previous years receipts can be utilised, are still in the process of being finalised. We needed time to assess the impact and benefits of extending the flexibility in different ways, while making sure it has the relevant safeguards. In light of the Spending Review and other recent changes, these have taken longer than expected. We understand that local authorities need time to plan for their spending over the years and will publish these details shortly."*
- 11.3 We have not previously used this flexibility but now feel it would be appropriate with some eligible projects we are currently working on. We have therefore produced a draft Strategy as attached at **Appendix 4**. We will return to Committee with further details when they become available from DLUH and provide more detail on the suggested projects.

12 The Long Term Position; Medium Term Financial Strategy; and Capital Strategy

- 12.1 The MTFP Table at 2.2 shows that we have a significant budget gap to address in future years. By 2025/26 this gap is forecast to increase to £859k. In relation to the forecast expenditure budget of £7.294m this is 11.8%. It is regrettable that we have been unable to instigate savings to address all of the 22/23 budget gap and have had to use a material amount of our, already depleted, earmarked reserves.
- 12.2 In order for the situation to improve; for the Council to continue as a going concern and; for the Council to be able to demonstrate to the external auditors and other stakeholders that we have deliverable plans to address the gap in the medium term, we must find ongoing savings and/or ongoing new income streams.
- 12.3 We have been prudent in the setting of the 2022/23 budget by not including savings which may not materialise and not including new income streams which have not yet been fully scrutinised and are not yet "in-flight". Our 2022/23 budget is therefore robust. We have a number of proposals currently being looked at and are confident that some of these will come to fruition during 2022/23, thus giving a "windfall" in year, albeit it will not be a full year effect. We have other projects which will take longer to instigate. Due diligence on all the proposals is key and will be undertaken before Members are presented with details for approval.
- 12.4 We have also produced a Capital Strategy which is included at Appendix 5 which details our approach to Treasury Management; Investments and our Capital Programme. The Treasury Management Strategy and accompanying appendices will be presented to Full Council in February in a separate report.

13 Conclusion

- 13.1 The Council has a large budget gap forecast in future years. It will need to improve its financial position in order to become financially resilient. We may see an improvement in the 2022/23 position, following the completion of the NNDR1 later this month, but this is currently uncertain and there are many factors which affect the Business Rates Retention figure including the risk of appeals. We must seek to replenish our reserves and we must

ensure that new income streams are prioritised and brought forward as soon as possible, following appropriate due diligence.

- 13.2 We do have some promising projects which have been proposed by budget holders/managers and we need to focus our attentions on our medium term resilience, rather than limiting our attention to a one-year window. This medium term focus is made additionally difficult by the one-year settlement from Central Government and the regular delays to the Fair Funding Review; the Business Rates reset and; the review of the New Homes Bonus Scheme.
- 13.3 We are therefore, clearly, not the only council to face difficulties in the medium term and continued lobbying by the LGA for multi-year settlements draw attention to the need for certainty, to enable us to plan effectively and reassure ourselves and our stakeholders that we can continue to provide services without having to look for further cuts.

Appendix 1

Appendix 1

HOUSING REVENUE ACCOUNT

1 SUMMARY

The Housing Revenue Account includes and expenditure associated with the Council's function as a social housing landlord. The items that can be debited and credited to the account are determined by statute

| | 2021/22 Budget £'000 | 2021/22 Forecast £'000 | 2022/23 Budget £'000 | 2023/24 Budget £'000 | 2024/25 Budget £'000 | 2025/26 Budget £'000 |
|---|----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| EXPENDITURE | | | | | | |
| Management | 1,838 | 1,796 | 1,958 | 1,996 | 2,036 | 2,077 |
| Repairs and maintenance | 1,039 | 1,130 | 1,067 | 1,088 | 1,110 | 1,132 |
| Council Tax | 10 | 10 | 10 | 10 | 10 | 10 |
| Debt Management | 10 | 10 | 10 | 10 | 10 | 10 |
| Depreciation (MRA cont.) | 1,373 | 1,580 | 1,580 | 1,612 | 1,644 | 1,677 |
| Provision for Bad Debts | 100 | 65 | 75 | 77 | 78 | 80 |
| Gross Expenditure | 4,370 | 4,591 | 4,700 | 4,793 | 4,888 | 4,985 |
| INCOME | | | | | | |
| Rents - Dwelling | (4,800) | (4,797) | (4,985) | (5,110) | (5,237) | (5,368) |
| Rents - Non Dwellings | (102) | (90) | (93) | (95) | (98) | (100) |
| Charges for Services and Facilities | (184) | (195) | (197) | (202) | (207) | (212) |
| Gross Income | (5,086) | (5,082) | (5,275) | (5,407) | (5,542) | (5,681) |
| Interest payable | 630 | 570 | 630 | 630 | 630 | 630 |
| Interest Receivable | (5) | (5) | (5) | (5) | (5) | (5) |
| Revenue Contribution to Capital | | | | | | |
| Transfers to/(from) Reserves | 91 | 0 | 0 | 0 | 0 | 0 |
| Total Capital Charges and Appropriations | 716 | 565 | 625 | 625 | 625 | 625 |
| (Surplus)/Deficit for the Year | 0 | 74 | 50 | 11 | (29) | (70) |
| Opening Balances | | | | | | |
| Housing Revenue Account | (1,139) | (1,338) | (510) | (530) | (540) | (550) |
| Universal Credit Reserve | (140) | (140) | 0 | 0 | 0 | 0 |
| Housing Levy | (220) | (220) | 0 | 0 | 0 | 0 |
| Debt Management Reserve | 0 | 0 | (1,115) | (1,044) | (1,024) | (1,043) |
| Closing Balances | | | | | | |
| Housing Revenue Account | (1,139) | (510) | (530) | (540) | (550) | (570) |
| Universal Credit Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing Levy Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Management Reserve | (451) | (1,115) | (1,044) | (1,024) | (1,043) | (1,093) |

Service Statistics

| | <u>2021/22</u> | <u>2022/23</u> | <u>2023/24</u> | <u>2024/25</u> | <u>2025/26</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Average Number of Dwellings | 1,195 | 1,189 | 1,186 | 1,183 | 1,180 |
| Housing Rent | | | | | |
| Rent per dwelling | 78.70 | 81.93 | 83.97 | 86.07 | 88.23 |
| Unpooled Service Charge | 1.62 | 1.69 | 1.73 | 1.77 | 1.82 |
| Total Rent | <u>80.32</u> | <u>83.61</u> | <u>85.70</u> | <u>87.85</u> | <u>90.04</u> |

2 Specific Charges

In addition to Dwelling Rents the HRA makes charges for other associated services offered to tenants. It is proposed that these increase by 4.1% which is in line with the rent increases CPI+1% for September 2021

| | 2021/22 | 2022/23 |
|--|----------------|-----------------|
| | Current | Proposed |
| | Charge | Charge |
| | £ | £ |
| <u>Garage Spaces</u> | | |
| 48 Week Basis | 4.23 | 4.41 |
| 52 Week Basis | 3.91 | 4.07 |
| <u>Lock up Garages</u> | | |
| 48 Week Basis | 7.82 | 8.14 |
| 52 Week Basis | 7.22 | 7.51 |
| <u>Caretaking Charge (Lower Rate)</u> | | |
| 48 Week Basis | 3.37 | 3.51 |
| 52 Week Basis | 3.11 | 3.23 |
| <u>Caretaking Charge (Higher Rate)</u> | | |
| 48 Week Basis | 6.75 | 7.03 |
| 52 Week Basis | 6.23 | 6.49 |
| <u>Heating and Hot Water Charges in Sheltered Schemes</u> | | Increase for |
| | | 2022/23 |
| | | % |
| Chartwell House, Oadby | | 4.1 |
| Marriott House, Oadby | | 4.1 |
| William Peardon Court, Oadby | | 4.1 |
| Mobility Scooter Garaging | | 4.1 |

3 CAPITAL PROGRAMME

The Council is currently undergoing a full stock condition survey which will layout the amount of work required to;

- Keep the current stock up to the 'Decent Homes Standard'. Early indications are that the stock will require approximately £12million of capital work which will put pressure on both the financial position of the HRA but also the Department's capacity to carry out the work.
- Identify the work required to bring the housing stock to a position of 'zero carbon' by 2050. This is a major project for every Housing Authority in the country the size of which has yet to be determined however, it is likely to require between £25m and £30m of investment to achieve this.

The works to be carried out include;

- Refitting of kitchens and bathrooms
- Replacement of boilers and central heating systems
- Re-wiring
- Health and Safety works including the removal of any category 1 hazards.
- Insulation for both energy efficiency and sound
- Replacement of doors and windows both individual and communal.

Work to achieve the net zero target will need to be done alongside 'decent homes' work going forward

The Capital programme is financed by two principal sources of funding.

- a) The Major Repairs Allowance
- b) Borrowing.

For the 2021/22 programme any unspent balances or unfinished schemes will be determined at year end and brought to members to carry forward in the July cycle of meetings.

The initial allocation for capital works (excluding property purchases and new builds) in 2022/23 is proposed at £1.5million

4 HOUSING REVENUE ACCOUNT BUDGET BACKGROUND CONSIDERATIONS FOR THE REVENUE BUDGET & CAPITAL PROGRAMME 2022/23

BACKGROUND CONSIDERATIONS

This provides commentary on the background considerations and key issues on which the draft budget. It also summarises the overall financial position. The structure of this commentary is as follows:

1. Basis for preparation of the draft budget.
2. Rent Policy
3. Changes in Stock Levels
4. Treasury Management
5. HRA Capital Programme
6. Level of Reserves
7. Other budget considerations

1. Basis for preparation of the draft budget and forward forecast

The revenue budget for 2021/22 sets out the costs of delivering current levels of service while taking into account the effect of current government legislations regarding changes to housing finance including rent increases of no more than CPI +1%. This follows four years of rent reductions imposed by the Government which ran between 2016/17 and 2019/20.

The budget has been set assuming that a 2% pay award will be implemented for 2022 and that non contractual upward inflation will be 0% to encourage value for money.

2. Rent Policy

From 2003 the Council had adhered to the guidelines laid down in the Governments rent restructuring policy and up to 2016/17 had gradually moved its rents up towards the target rents. However at the point at which restructuring ended less than 5% of the stock had converged.

From 2016/17 the Government imposed four years of rent reductions where in the Council had to reduce rent by 1% in each of these years.

In 2020/21 the Authority was able to increase its rents for the first time in five years, by CPI +1%, resulting in an overall increase of 2.7%. The government has indicated that this method of calculating this increase would continue for a five year period before being reviewed. This 'settlement' is about to enter its third year and with inflation on the increase (CPI at 3.1%) the 2022/23 increase is recommended to be 4.1%.

However the regressive rent policy employed by the government this has left a continuing gap, between actual and formula rents, which can no longer be closed by the annual increase year on year. The gap between total actual and formula rents currently equates to around £190,000 of potential income per annum which the Council cannot access.

The Council should therefore place new tenants coming in, as well as tenants transferring to a larger property, directly onto the formula rent for that property. In order not to discourage tenants who are living in a property, larger than their needs, to downsize they would be placed on the lower of their new property's formula rent or the rent they were paying at their current property.

The COVID 19 pandemic saw a temporary suppression of CPI which at September 2020 stood at 0.5%. The principal drivers behind this fall have been a sharp decrease in oil prices in the first half of 2020 and the governments 'Eat Out to Help Out' stimulus to the hospitality industry which saw the cost of eating out fall. This drop however has now unwound and inflation has increased, driven by a sharp rise in oil prices and shortages of workers in the supply chain which has driven wages up.

The table below shows the new, old and average rent for each of the four sizes of properties in the Council's portfolio.

| Property Type | Average Rent 2021/22 | Average Rent 2022/23 | Increase £ |
|---------------|-------------------------|-------------------------|---------------|
| Bedsits | £59.78 | £62.23 | £2.45 |
| 1 Bedroom | £70.51 | £73.40 | £2.89 |
| 2 Bedroom | £77.81 | £81.00 | £3.19 |
| 3 Bedroom | £86.11 | £89.64 | £3.51 |
| 4 Bedroom | £96.97 | £100.94 | £3.97 |

Each year the Council expects to lose a small proportion of rent during periods between tenancies, known as void losses. It is assumed that this will equate to 2% of the gross rent.

3. Changes in Stock Levels

When the Government reinvigorated the 'Right to Buy' discount scheme the Council saw a pickup in sales to tenants, this however has flattened off before dropping slightly over the last couple of years. This, together with the Council's policy of purchasing properties to replenish the stock where possible through the 1-4-1 scheme, suggests stock levels will only decline slightly over the next few years.

As a result of this, assumptions have to be made about the sale and acquisitions of properties from the current stock. Sales of dwelling have decreased in recent years with the COVID-19 pandemic suppressing them further. Going forward it is assumed that there will be seven sales each year of the plan counterbalanced by two purchases – a net reduction of five properties from its current stock.

There is a risk that stock losses do not follow the pattern assumed in the budget and forecast. This could mean that either savings in costs are made ahead of time or that they are not made in time. The Council's Finance and Housing teams will monitor the developments in this area very closely.

4. Treasury Management

In 2012 the Council borrowed £18.114million in order to finance the retaking control of its Housing Stock. The debt consisted of 18 loans of £1.06million, these were due to be repaid between March 2020 and 2037. The Council has not able to repay in 2020 and instead refinanced it using short-term borrowing which has been at an advantageously low interest rate for some time, particularly compared to Public Works Loans Board (PWLB) rates which had been pushed up by the Government towards the end of 2019.

Profile of HRA Financing Debt

| | | |
|-----------------|-------------------|-------------|
| Under 12 months | 3,018,999 | 17% |
| 1 - 2 Years | 1,006,333 | 6% |
| 2 - 5 Years | 2,012,666 | 11% |
| 5-10 Years | 5,031,665 | 28% |
| Over 10 Years | 7,044,337 | 39% |
| | 18,114,000 | 100% |

However, at the end of 2020 as new rules regarding PWLB were introduced to restrict its use while lowering rates once again for those Council's investing in areas the Government deemed appropriate. One area where the government is keen to see investment is housing which gives the Council the opportunity to invest in its stock, develop new sites and refinance debt. The Council could potentially take this opportunity to push some of the original debt out to beyond 2037 so it fits into the repayment profile of the Debt Management Reserve.

The Section 151 officer together with the Treasury Management team will assess the available interest rates as each loan comes to its settlement date. As the Council is building up a reserve to pay off substantial amounts it is suggested that these replacement loans are kept as maturity type loans, with interest only being paid, until the whole repayment becomes due.

The ongoing capital programme will be jointly funded with MRA and Borrowing. The amount of borrowing required will be dictated by the stock condition survey to be procured. This extra borrowing can be repaid over the life of the assets which is between 15 and 20 years depending on the work being done.

5. HRA Capital Programme

The capital programme will continue to balance the need to maintain decent homes and other priorities such as health and safety, aids and adaptations, sustainability, energy efficiency, the Government's 'zero carbon' targets and meeting tenants' aspirations. When the stock condition survey is completed a new Asset Management Strategy will be drawn up

The cycle of works identified in the plan will be funded by the MRA, Capital receipts and borrowing. Careful planning of the capital programme will be needed, bearing in mind the uncertainty of Government Policy, to ensure that it not only meets the needs of the tenants but is also affordable and sustainable.

6. Level of Reserves

Council policy has for some years required the HRA main reserve to retain a minimum balance of £300,000. This should now be reviewed in order to provide a more robust and prudent financial structure.

It is recommended that the minimum balance on the main reserve be increased to 10 percent of the HRA's annual Income, moving it to just over of £500,000 for 2022/23. This in itself does not present a problem because currently the reserve contains in excess of £1million. The remainder will be moved to a Debt Management Reserve.

The Debt Management Reserve will have two uses;

- To repay the long-term debt the Council incurred for the HRA 'New Financing Arrangements' from 2012 and
- To act as a balancing account for the main reserve in years of annual deficit.

The HRA currently has two capital reserves

- 1) The Regeneration Reserve - For the provision of new properties in the stock. This can be utilised to support either new building in the HRA or the buying back of former Council Houses.
- 2) The Major Repairs Reserve (MRR) – To support and fund the annual capital programme agreed by the Council and holds any unused amounts of the annual Major Repairs Allowance (MRA). Normally it would be planned to fully utilise this funding each year.

There are no plans to change the way these Capital reserves are operated

7. Other Budget Considerations

Provision for Uncollectible Debts and Collection Costs

The provision for uncollectible debts at 31 March 2021 was £236,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council included £100,000 in each year's original budgets for further provision against write-offs of bad debt. This is considered to be a prudent measure against a back drop of the exiting from the pandemic and the Government's policy of Welfare Reform with Universal Credit awards for those out of work going back to pre-Covid levels.

General Fund Recharges

Recharges between the General Fund and the HRA will be continuously reviewed in the light of structural changes within both the HRA and the rest of the Council. These will be proportionate and fair.

Service Charges

Tenant's service charges for 2021/221 have been increased by 4.1%, in line with general rent and other charges.

HRA Business Plan

The HRA Business Plan is in the process of being reviewed and will outline the long-term future for a sustainable HRA. Significant developments in the plan are incorporated within this document including next year's budget outlined in Section 1 of this appendix.

APPENDIX 2

Capital Programme Summary

| Fund | Revised Budget 2021/22 | New Capital Schemes 2022/23 | Total |
|--------------------------------|---------------------------------------|--|---------------|
| | £'000 | £'000 | £'000 |
| General Fund | 4,610 | 1,222 | 5,832 |
| Housing Revenue Account | 2,449 | 3,830 | 6,279 |
| Total | 7,059 | 5,052 | 12,111 |

| Project Code Reference | Scheme | 2022-23 New Capital Scheme Proposals | 2022-23 Total Budget | Comments |
|------------------------|---|--------------------------------------|----------------------|--|
| | | £ | £ | |
| | Total Funding Available | | | |
| | Housing Revenue Account | | | |
| 1 | HRA Business Plan | 1,500,000 | 1,500,000 | Standing budget for capital works per HRA business plan |
| 2 | Horsewell Lane housing development, Modular Build | 2,330,000 | 2,330,000 | <p>The provision of new housing for sale / rent on vacant land owned by OWBC.</p> <p>It is our consideration that the provision of Modular (Factory manufactured) buildings have a significant quality control benefit being manufactured within a controlled environment as opposed to traditional build being subject to prevailing weather conditions.</p> <p>The delivery to site and erection on pre- constructed foundations, car parking and landscaping can be achieved within one month, fully fitted and operational awaiting occupation within a further month.</p> <p>It is our consideration that traditional build, which is subject to weather conditions, would take nine months after which the car parking and landscaping would take a further 30 days.</p> <p>Overall, a modular build project can produce income revenue 7 months earlier than traditional build from commencement on site.</p> |
| | Total - HRA | 3,830,000 | 3,830,000 | |
| | General Fund | | | |
| | Invest to Save | 350,000 | 350,000 | This capital funding is to be used for investing in capital projects that will generate a source of income. Business cases would need to be put forward to bid for funding. Projects would need to prove to be financial viable produce an income stream to assist in the funding of Council Services. Business Cases would need to be produced which would be reviewed and presented to Members for approval. |
| | Transformation | 400,000 | 400,000 | Costs relating to transformation projects in 2022/23. Business cases would need to be produced which would be reviewed and presented to Members for Approval. Approved projects qualifying revenue costs could then be charged against the Transformation Capital Budget. |
| | Vehicle Refurbishment | 60,000 | 60,000 | To refurbish vehicles to extend the life by 2 – 3 years rather than investment in total new vehicles This relates to both refuse and recycling wagons and also sweepers and lorries This is for the initial outlay of 1 vehicle only with an ongoing project of vehicle refurb of the following years rather than the purchase of new vehicles |
| | Christmas Lights Infrastructure | 7,500 | 7,500 | Infrastructure requirement for the Christmas lights project. New electricity points are needed to ensure the lights continue to operate, as the network of electrical points installed is at capacity. Also additional icicle lights are needed to cover areas that have not already been covered. |
| | Website accessibility | 5,000 | 5,000 | <p>The council must meet the Government's new Web Content Accessibility Guidelines. These are put in place to ensure that websites are accessible to everyone regardless of disability, age or education. The communications team has been steadily working on this project for a year, with the support of a paid-for Steria website specialist.</p> <p>This expert support is still needed. The O&W website has moved from 280th to 30th nationally in the list of most accessible website which is positive. However, WCAG guidelines will soon become stricter and further work needs to be done.</p> <p>While the communications team is undertaking much of the work, the website specialist from the ICT Partnership adds a layer of accessibility knowledge not held within the organisation and adds extra resource. This knowledge is needed to ensure we are compliant with the guidelines.</p> |
| | Finance System Upgrade | 80,000 | 80,000 | The current version of Integra Finance System used by the Council will shortly no longer be supported by Civica. The will require an upgrade to a new finance system. |

| Project Code Reference | Scheme | 2022-23 New Capital Scheme Proposals | 2022-23 Total Budget | Comments |
|------------------------|---|--------------------------------------|----------------------|---|
| | | £ | £ | |
| | New Internal Website | 10,000 | 10,000 | In a post-Covid world where we work with agility and regularly from home, we need better quality internal communication tools. Our current Wordpress website has huge limitations, is of poor quality, and cannot be improved to any great effect. With a new website we could better explore opportunities with videos, blogs, team pages, widgets, news items and a better document store. This will enhance and improve team cohesion, the effectiveness of corporate messaging and the feeling of working for a council rather than in isolated teams. It will allow teams (and the communications team) to be creative in the ways they share and store information internally, and communicate with the rest of the organisation. |
| | Provision of Energy Efficiency Technologies at Brocks Hill | 200,000 | 200,000 | The resurrection of the existing wind turbine, photovoltaic array and the resurrection of the rainwater harvesting system for none drinking water supplies at Brocks Hill. This would result in ongoing savings on energy costs. The Wind turbine would provide opportunities for the Council to generate additional income by selling excess electricity not used back to electricity national grid suppliers. |
| | Laptop Renewal 2024 | 74,000 | 74,000 | Description of the project (to include sufficient information to serve as the committee narrative) Allocate £74,000 every year for 3 years to secure funding for a 2024 hardware renewal. This would be a complete replacement for a desk worth of equipment for each user. This would coincide with the end of the warranty period for our current equipment. Any remaining old equipment will be recycled with a possible financial rebate back to the council. |
| | Miscellaneous Equipment and New Starters | 20,000 | 20,000 | New starter equipment requirements which is outside of the current scope of people we currently support. This also includes some replacement budget for equipment which is broken or lost by the userbase. |
| ~ Page 39 ~ | Oadby Depot – new carpet and addressing floor issues | 10,000 | 10,000 | Oadby Depot and Brocks Hill will be taking more staff due to the relocation away from Bushloe House. The carpet at Oadby Depot is the original and is over 30 years old. It is lifting in some locations forming a trip hazard and is worn and thin. The underlying chipboard floor also needs attention due to the amount it creaks and this can be done at the same time as the floor covering is replaced. |
| | Peace Memorial Park Bowls Green- replace steps to bowling green | 5,000 | 5,000 | The wooden steps that give access to the bowls green at Peace Memorial Park have reached the end of their useful life and need replacing. Temporary repairs have been carried out but these are unlikely to last and therefore the steps need removing and replacing with a long term solution. New steps (or ramp) need to be configured so that (unlike the present steps) there are no significant changes in height between the treads which creates a trip hazard for users. |
| | Total - General Fund | 1,221,500 | 1,221,500 | |
| | PLANNED EXPENDITURE GRAND TOTAL | 5,051,500 | 5,051,500 | |

Appendix 3

Appendix 3: Robustness of Estimates and Adequacy of Reserves (Statement to comply with Section 25, Local Government Act 2003)

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

The Section 151 Officer considers that the estimates which form the General Fund and Housing Revenue Account are robust and prudent, and the proposals are deliverable for 2022/23.

The Section 151 Officer also considers that the overall level of General Fund and Housing Revenue Account reserves are adequate for 2022/23.

The table below confirms the projected level of reserves available at March 2022.

Table 1 – Forecast Total Council Reserves at 1 April 2022

| Type of Reserve | 1 April 2022 Estimated Balance £000s |
|---|---|
| General Fund | 1,189 |
| Earmarked Reserves | 705 |
| Total Usable Revenue Reserves | 1,894 |
| Capital Reserves | 1,483 |
| Capital Grants Unapplied | 24 |
| Total Usable Capital Reserves | 1,507 |
| Ringfenced - Covid 19; Disabled Facilities and S31 Monies | 23 |
| Total General Fund Reserves | 3,424 |

The Section 151 Officer notes the following in respect of the General Fund:

a) The COVID-19 pandemic continues to affect the Council's operations and there may be variances in the budgeted position of income and expenditure in the new financial year, particularly on the General Fund. Some areas such as leisure have yet to fully recover from the impact of restricted use and this may continue into 2022/23, affecting our anticipated income from this contract. Other areas such as utilities, and gas in particular are become an increasing concern and may lead to further budget pressures. We have considered these areas carefully in our forecasts but this is a volatile area.

b) Additionally, the Council has made assumptions on its Medium Term Financial Plan modelling in regard to inflation on areas such as salaries and utilities. Any variance from these assumptions may result in a material pressure to add to the forecast budget gaps.

c) It is widely understood that in the future, all local authorities will face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates) are introduced – particularly against the backdrop of recovering from the impact of COVID-19 which also has the potential to affect the council's spending.

d) The Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the Government's departmental multi-year Spending Review (which has been delayed a further year) and the redesign of the national Business Rates Retention System. The Council's

current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of funding in light of these government-led reviews.

e) The updated MTFP presents a total deficit by 2025/26 of £859k. There are currently plans being explored to create new funding streams, but the cost of implementation and the timing of the streams is a risk.

The Section 151 Officer notes the following in respect of the Housing Revenue Account:

f) The Council's current projections with the HRA MTFP show a stable five year financial position when considering the level of reserves available to balance projected deficit years.

Appendix 4

Appendix 4: Flexible use of Capital Receipts Strategy 2022/23

1. Introduction

The proposals within this Flexible use of Capital Receipts Strategy have been prepared based on a capitalisation direction issued by the Secretary of State under Sections 16(2)(b) and 20 of the Local Government Act 2003: Treatment of Costs as Capital Expenditure.

2. The Direction

The Direction issued by the Secretary of State under Sections 16(2)(b) of the Local Government Act specifies that Local Authorities can treat as capital expenditure, expenditure which:

- “is incurred by the Authority that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”.
- “is properly incurred by the Authority for the financial years that begin on 1 April 2022 to 31 March 2023”

It is a condition of the Secretary of State’s direction that the flexible use of capital receipts in accordance with the direction only applies to capital receipts which have been received in the years to which the direction applies.

When applying the direction, Authorities are required to have regard to Guidance on Flexible Use of Capital Receipts issued by the Secretary of state under Section 15(1)(a) of the Act.

In using the flexibility, the Council will have due regard to the requirements of the Prudential Code and to the CIPFA Local Authority Accounting Code of Practice. The Council is also required to prepare a Flexible use of Capital Receipts Strategy before the start of the year to be approved by the Council – this is that Strategy.

3 The Council’s Proposals

The Guidance sets out examples of qualifying expenditure which includes “funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation” and it is for this purpose that the Council is proposing to use Capital Receipts in 2022/23.

4. 2022/23 Revenue Budget

To support the significant and continued reconfiguration of the Council’s Services to deliver the improvement and efficiencies set out in the Council’s budget for 2022/23, it proposed that the associated one-off costs are funded from capital receipts. The

legitimacy of this use will be determined by the S151 Officer in order to ensure that it meets the requirements set out by the Secretary of State.

5. The Prudential Code

The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy. Any capital receipts which are received and not allocated will be used to fund revenue costs incurred to support the Council's service development and delivery of savings and efficiencies. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy.

The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the 2022/23 Statement of Accounts.

6. Monitoring the Strategy

Implementation of this Strategy will be monitored as part of regular financial reporting arrangements.

Appendix 5

Appendix 5 Capital Strategy Report 2022/23

Oadby and Wigston Borough Council

Introduction

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.

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.

Capital Expenditure and Financing

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 £3k are not capitalised and are charged to revenue in year.

- For details of the Authority's policy on capitalisation, see the accounting policies section of the Statement of Accounts: https://www.oadby-wigston.gov.uk/files/documents/draft_unaudited_statement_of_accounts_202021_including_the_annual_governance_statement_202021/OWBC%20Draft%20Annual%20Statements%202021.pdf

In 2022/23, the Authority is planning capital expenditure of £8.226m 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 | 0.912 | 1.957 | 4.396 | 1.000 | 1.000 |
| Council housing (HRA) | 1.237 | 2.449 | 3.830 | 1.500 | 1.500 |
| Capital investments | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 2.149 | 4.406 | 8.226 | 2.500 | 2.500 |

The main General Fund capital projects include Invest to Save projects (£350k); Transformation (£400k); and Energy Efficient Technologies (£200k). The Authority does not plan to incur capital expenditure on investments during 2022/23.

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 a new housing development at Horsewell Lane (£2.330m) and other capital works per the HRA Business Plan (£1.5m).

Capital investments include loans and shares made for service purposes and property held primarily for financial return in line with the definition in the *CIPFA Treasury Management Code*.

Governance: Service managers bid annually 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 Policy, Finance and Development Committee appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Full Council. The final capital programme is presented to Full Council in December with any amendments being made by Full Council in February when the finalised budget is approved each year.

- For full details of the Authority’s capital programme, see: <https://moderngov.oadby-wigston.gov.uk/documents/b6705/Agenda%20update%2021st-Dec-2021%2018.30%20Full%20Council.pdf?T=9>

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 | 2021/22 forecast | 2022/23 budget | 2023/24 budget | 2024/25 budget |
|-------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| External sources | 0.163 | 0.469 | 0.695 | 0.000 | 0.000 |
| Capital resources | 0.000 | 0.000 | 0.910 | 0.000 | 0.000 |
| Revenue resources | 1.132 | 1.807 | 1.500 | 1.500 | 1.500 |
| Debt | 0.854 | 2.130 | 5.121 | 1.000 | 1.000 |
| TOTAL | 2.149 | 4.406 | 8.826 | 2.500 | 2.500 |

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). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned Minimum Revenue Provision payments (MRP) are as follows:

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

| | 2020/21 actual | 2021/22 forecast | 2022/23 budget | 2023/24 budget | 2024/25 budget |
|-------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Capital resources | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

| | | | | | |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue resources | 0.805 | 0.851 | 0.505 | 0.614 | 0.661 |
| TOTAL | 0.805 | 0.851 | 0.505 | 0.614 | 0.661 |

- The Authority's full minimum revenue provision review is available here at Agenda Item 14:

<https://moderngov.oadby-wigston.gov.uk/documents/b6705/Agenda%20update%2021st-Dec-2021%2018.30%20Full%20Council.pdf?T=9>

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 and capital receipts used to replace debt. The CFR is expected to increase by £4.615m 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 | 17.375 | 18.011 | 20.797 | 21.182 | 21.521 |
| Council housing (HRA) | 19.732 | 20.375 | 22.204 | 22.204 | 22.204 |
| Capital investments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL CFR | 37.107 | 38.386 | 43.001 | 43.386 | 43.725 |

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 c£1.6 m 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 | 0.158 | 0.400 | 1.600 | 0.400 | 0.400 |
| Loans etc. repaid | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL | 0.158 | 0.4000 | 1.600 | 0.400 | 0.400 |

- The Authority's Flexible Use of Capital Receipts Policy is available as part of the Full Council reporting pack in February 2022.

Treasury Management

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.

Due to decisions taken in the past, the Authority currently has £33.161m borrowing at an average interest rate of 3.09% and £5m treasury investments at an average rate of 0.1%.

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%).

Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases 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 |
|---|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| GF and HRA Debt (incl. PFI & leases) | 34.751 | 33.161 | 38.069 | 38.974 | 39.877 |
| Capital Financing Requirement | 37.107 | 38.386 | 43.001 | 43.386 | 43.725 |

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.

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 – borrowing | 43.0 | 48.0 | 49.0 | 50.0 |
| Operational boundary – borrowing | 38.0 | 43.0 | 44.0 | 45.0 |

- Further details on borrowing are in the Council’s Treasury Management Strategy

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.

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 | 5.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Longer-term investments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL | 5.000 | 0.000 | 0.000 | 0.000 | 0.000 |

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.

- The treasury management prudential indicators are detailed in the Treasury Management Strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Full Council. Half-yearly reports on treasury

management activity are presented to Policy, Finance and Development Committee who scrutinise the treasury management decisions.

Commercial Activities

The Authority has very limited commercial activity which relates to three small shops which form part of an apartment block which is owned by the Council. The rental is c£17k per annum and is therefore not material and as such present little risk.

Governance: Decisions on commercial investments are made by Director of Finance alongside the Senior Leadership Team. Any plans would then require approval by Full Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Liabilities

In addition to debt of c£38m (2022/23) detailed above, the Authority is committed to making future payments to cover its pension fund deficit (valued at £30m). It has also set aside £223k to cover risks arising from Business Rates appeals.

Governance: Decisions on incurring new discretionary liabilities are taken in consultation with the Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by Finance and reported to Committee.

- Further details on liabilities and guarantees are shown each year in the Statement of Accounts.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP 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) General Fund | 0.990 | 1.006 | 0.715 | 0.830 | 0.883 |
| Financing costs (£m) HRA | 0.529 | 0.507 | 0.542 | 0.542 | 0.539 |
| Proportion of net revenue stream GF | 10.7% | 15.5% | 11.7% | 13.9% | 14.2% |
| Proportion of net revenue stream HRA | 10.9% | 10.4% | 10.6% | 10.4% | 10.1% |

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 Director of Finance/S151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable following scrutiny of the available funding; the medium term financial strategy and the due diligence of each project.

Knowledge and Skills

The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance/S151 Officer is a qualified accountant with substantial experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and AAT.

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. 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.

Agenda Item 9



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| Policy, Finance and Development Committee | Tuesday, 01 February 2022 | Matter for Information and Decision |
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Report Title: Treasury Management Policy and Strategies (2022/23)

Report Author(s): Comie Campbell (Head of Finance / Deputy Section 151 Officer)
Rashpal Sohal (Finance Manager)

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|---|--|
| Purpose of Report: | The purpose of this report is to inform Council of current Treasury Management practices carried out by the Council. |
| Report Summary: | The report contains the Treasury Management Policy, Council's Prudential indicators, Treasury Strategy and Plan, Investment Strategy for 2022/23. |
| Recommendation(s): | <p>A. That the Treasury Management Policy (as set out in Appendix 1) be approved;</p> <p>B. That the Prudential Indicators for 2022/23 (as set out in Appendix 2) be approved;</p> <p>C. That the Treasury Strategy and Plan 2022/23 (as set out in Appendix 3) be approved; and</p> <p>D. That the Investment Strategy 2022/23 (as set out in Appendix 4) be approved;</p> |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | <p>Tracy Bingham (Director/Section 151 Officer) tracy.bingham@oadby-wigston.gov.uk</p> <p>Comie Campbell (Head of Finance/Deputy Section 151 Officer) (0116) 257 2713 comie.cambell@oadby-wigston.gov.uk</p> <p>Rashpal Sohal (Finance Manager) (0116) 257 2705 rashpal.sohal@oadby-wigston.gov.uk</p> |
| Corporate Objectives: | Providing Excellent Services (CO3) |
| Vision and Values: | "A Stronger Borough Together" (Vision) Accountability (V1) Innovation (V4) |
| Report Implications:- | |
| Legal: | There are no implications arising from this report. |
| Financial: | The implications are as set out in this report. |
| Corporate Risk Management: | Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) |

| | |
|--|--|
| | Regulatory Governance (CR6) |
| Equalities & Equalities Assessment (EA): | There are no implications arising from this report. EA not applicable |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |
| Statutory Officers' Comments:- | |
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | As the author, the report is satisfactory. |
| Monitoring Officer: | The report is satisfactory. |
| Consultees: | None. |
| Background Papers: | |
| Appendices: | 1. Treasury Management Policy (2022/23) 2. Prudential Indicators (2022/23) 3. Treasury Strategy and Plan (2022/23) 4. Investment Strategy (2022/23) |

1. **Introduction**

1.1 The Council defines its Treasury Management activities 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 risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

1.2 Part of the Treasury Management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Councils low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the Treasury Management service is the funding of the Council's Capital Programme. The Capital Programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

1.4 This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet the Council risk or cost objectives.

2. **Treasury Management Policy (2022/23)**

2.1 This Policy dictates the Council's overall approach to Treasury Management. It explains the key Treasury Management practices which are undertaken and outlines how the Council carries these out in furtherance of its corporate goals. This Policy has been revised in line

with the publication Treasury Management in the Public Services – Code of Practice and Cross Sectional Guidance Notes as attached at **Appendix 1**.

3. Prudential Indicators (2022/23)

- 3.1 Part 1 of the Local Government Act 2002 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities 2017 edition (“the Code”) sets out a framework for self-regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.
- 3.2 To facilitate the decision making process and support capital investment decisions, the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators as attached at **Appendix 2**.
- 3.3 These indicators are mandatory and are purely for internal use by the Council. They are not to be used as comparators between authorities. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and year on year changes.

4. Treasury Strategy and Plan (2022/23)

- 4.1 In accordance with the requirements of CIPFA’s latest Code of Practice on Treasury Management and the Council’s Treasury Management Policy Statement, a Treasury Strategy and Plan for 2022/23 has been prepared and attached at **Appendix 3**
- 4.2 For the purpose of the Strategy, Treasury Management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.
- 4.3 The strategy includes broad principles, which provide the framework within which the Council’s treasury management activities are conducted together with detailed plans for the management of the Council’s loans and investment portfolios. The strategy includes those indicators required by the Prudential Code that relate to treasury management.

5. Investment Strategy (2022/23)

- 5.1 This strategy is written in accordance with section 15 (1) of the Local Government Act 2003. The aims are to ensure the Council facilitates investment decisions so that the Council investment sums remain secure. Another requirement is for the Council to have sufficient available cash resources to carry out its functions. The Council would also want to achieve the maximum return on its investments. The investment strategy is attached at **Appendix 4**.

OADBY & WIGSTON BOROUGH COUNCIL



Oadby & Wigston
BOROUGH COUNCIL

Treasury Management Policy

| | |
|--------------------------|------------|
| Revised | 17/01/2022 |
| Next Revision | 31/03/2023 |
| Head Of Finance Approval | |

OADBY & WIGSTON BOROUGH COUNCIL

TREASURY MANAGEMENT POLICY

Introduction

The CIPFA code of practice Treasury Management in the Public Services was produced to assist all forms of public bodies with their treasury management strategies. In the publication of this policy the Council formally adopts the CIPFA code of practice as part of its standing orders and financial regulations.

Three Key Elements to the Policy

1. The Definition Of The Treasury Activities Of The Council

Oadby & Wigston Borough Council defines its treasury management activities as “The management of the organisation’s cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. The role of Risk Management in the Treasury Policy

Oadby & Wigston Borough Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

3. Achievement of Business and Service Objectives

Oadby & Wigston Borough Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques, with the context of effective risk management.

Treasury Management Practices (TMP)

TMP1 Risk Management

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, and will report annually on their adequacy and suitability. They must also report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in relation to a failure in the policy.

In respect of each of the following risks, the arrangements, which seek to ensure compliance with the stated objectives, are set out in the schedule to this document.

1. Liquidity Risk

Oadby & Wigston Borough Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its operation.

2. Interest Rate and Inflation Risk

The Section 151 Officer, on behalf of the Council, will manage its exposure to fluctuations in interest rates and inflation with a view to containing its interest costs or securing its interest revenues as an integral part of its Treasury Strategy and Plan.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of income but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above is subject at all times to the considerations and if required, approval of any policy or budgetary implications.

3. Credit and Counterparty Risk

Oadby & Wigston Borough Council regards a prime objective of its treasury management activities to be the security of the principal sums invested. Accordingly, we will ensure that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4, and listed in the schedule to this document.

4. Refinancing Risk

Oadby & Wigston Borough Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing if required. All arrangements should be competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time of transaction.

5. Legal and Regulatory Risk

Oadby and Wigston Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. It will ensure that there is evidence of counterparties' powers, authority and compliance in respect of transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

6. Fraud, Error and Corruption, and Contingency Management

Oadby and Wigston Borough Council will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to enable risk to be minimised.

7. Market Risk

Oadby and Wigston Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2 Best Value and Performance Measurement

Oadby and Wigston Borough Council is committed to the pursuit of best value in its treasury management activities. Accordingly, the treasury management activities will be the subject of ongoing analysis of the value it adds in support of the organisations stated objectives.

TMP 3 Decision-making and Analysis

Oadby and Wigston Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions. Both for the purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues, processes and practices taken account of when reaching decision are detailed in the schedule.

TMP 4 Approved Instruments, Methods and Techniques

Oadby and Wigston Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule, and within the limits and parameters defined in TMP1.

TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

Oadby and Wigston Borough Council considers it essential, for the purpose of the effective control and monitoring of its treasury management activities, for the reduction of the risk or fraud or error, and for the pursuit of optimum performance; that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.

That there is a clear distinction between the Section 151 Officer charged with setting treasury management policies and those officers charged with carrying out those policies.

If and when the organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6.

TMP 6 Reporting Requirements and Management Information Arrangements

Oadby and Wigston Borough Council will ensure that yearly reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes resulting from regulatory, economic, market or other factors.

Council will receive:

- Annual Treasury and Investment Strategies and Plan Report for the coming year.
- An annual Treasury Management Performance Report to include any non-compliance with the Council's Treasury Management Policy and TMPs.

TMP 7 Budgeting, Accounting and Audit Arrangements

Oadby and Wigston Borough Council will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force.

The Council will ensure that the costs involved in running the treasury management function will pertain to best value.

The Council will ensure its auditors, and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary to fulfil their roles.

TMP 8 Cash and Cash Flow Management

All monies in the hands of Oadby and Wigston Borough Council will be under the control of the Section 151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 – Liquidity Risk.

TMP 9 Money Laundering

Oadby and Wigston Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, we maintain procedures for verifying and recording the identity of counterparties and reporting suspicions.

TMP 10 Staff Training and Qualifications

Oadby and Wigston Borough Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. We will therefore seek to ensure that individuals are provided with training as required and/or identified by the EDI process.

TMP 11 Use of External Service Providers

Oadby and Wigston Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. In doing so we will ensure that the cost and benefits are considered. We will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one company. Where services are subject to formal tendering standing orders will be applied.

TMP 12 Corporate Governance

Oadby and Wigston Borough Council is committed to the pursuit of proper corporate governance throughout the authority, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function will be undertaken with openness, transparency, honesty, integrity and accountability.

We have adopted and implemented the key recommendations of the Code, and this together with the other arrangements detailed in the schedule are considered vital to the achievement of proper corporate governance in treasury management. The Section 151 Officer will monitor and if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

TMP 1 Risk Management

TMP 2 Best Value and Performance Measurement

TMP 3 Decision-making and Analysis

TMP 4 Approved Instruments, Methods and Techniques

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

TMP 6 Reporting Requirements and Management Information Arrangements

TMP 7 Budgeting, Accounting and Audit Arrangements

TMP 8 Cash and Cash Flow Management

TMP 9 Money Laundering

TMP 10 Staff Training and Qualifications

TMP 12 Corporate Governance

TMP 1 RISK MANAGEMENT

1 Liquidity

It will be the function of the Section 151 Officer to calculate from cash flow forecasts the extent of any surplus cash available for investment. There will be no requirement of the Council to maintain a surplus cash balance in the bank account although such surpluses may occur from time to time. The intention should always be to maintain a nil cleared balance as far as possible.

In the event of the Council having to borrow for short-term cash flow reasons this will be carried out through the money markets, or from the Council's bank if more economic.

2 Interest Rate and Inflation

The rate of interest on new investments will be made taking into account the market conditions and obtaining rates from a number of institutions on the Council's counterparty list.

Surplus cash may be invested with those institutions shown on the Council's counterparty list for a maximum maturity of 364 days.

The level of investments placed with any one institution are approved annually within the Treasury Strategy and Plan Report by Council. This limit may be adjusted by Council during the year if it is found to be prejudicial to the interest rates the Authority can earn on its investments.

The Authority determines annually, within its Treasury Strategy and Plan, the level of total external debt, temporary external borrowing and variable against fixed interest rate exposure.

3 Credit and Counterparty Policies

The Section 151 Officer will be responsible for preparing for the Council a list of institutions in whom the Council's funds may be invested. This list will be supported by details of the criteria employed to assess the various credit standings of counterparties. As a general principle these institutions will have at least F1, F1+ Fitch short term rating or PI Moody's short term rating although, subject to the supporting report of the Section 151 Officer, other non-rated institutions may be included.

The Council will seek to ensure that the maximum amount of market, media and local intelligence is gathered and communicated to the responsible treasury staff to assist them in constantly reviewing sectors and individual institutions on the approved list. The Section 151 Officer may add, delete or amend institutions on the approved list during the year. In any event, the list of counterparties will be reviewed annually by Council.

The Council's current policy is not to appoint external fund managers. Under the present circumstances, the Authority does not have sufficient surplus funds to give either enough scope or sufficient diversity of portfolio to justify such consultancy fees.

4 Refinancing

The maturity pattern of all outstanding debt must be reviewed before any new long term loan is taken and before debt is rescheduled.

Variable and fixed rate funds should be kept under review with the potential of securing discounts.

5 Legal and Regulatory Work

Treasury management activities will be carried out in accordance with rules governing the investment of local authorities funds as set out in the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990, and the Local Authorities (Capital Finance) Regulations 1997, as amended.

In addition activities will be conducted in accordance with the Council's approved Treasury Management Strategy and Plan, and Treasury Management Policy Statement. This includes the adoption of CIPFA's Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code for Capital Finance in Local Authorities.

Evidence of officers delegated powers, to borrow and invest, will be provided on request to counterparties as set out in the constitution.

All the banks included in the Council's lending list are authorised under the Banking Act 1987, to accept deposits in the UK.

6 Fraud, Error and Corruption, and Contingency Management

In order to minimise the possibility of fraud, error and corruption the procedures for carrying out and monitoring treasury management activities are subject to audit, as well as various internal controls and reporting to the Council.

Evidence of fraud and corruption should be reported to the Section 151 Officer and Director of Services, in accordance with the Council's Anti Fraud & Corruption Policy, who will then determine the appropriate course of action.

The Chief Executive and Section 151 Officer must include arrangements for the proper and continuous fulfilment of the Treasury Management function in any disaster planning.

The Council's fidelity guarantee insurance provides cover of up to £2.5 million for all employees for losses caused by fraud.

7 Market Risk Management

The value and performance of the Council's investments is regularly monitored and is reported to Members on an annual basis.

In order to manage risk and protect public funds, the following are the only organisations with which investments will be placed.

- Other Local Authorities
- UK Clearing Banks and their subsidiaries
- Government Institutions
- Building Societies
- Money Market Funds
- CCLA Property Funds

In addition each clearing bank or subsidiary will be assessed for its credit standard and rating. The minimum rating that the authority will accept prior to placing a temporary loan are.

- Long Term Investments Fitch Rating A
- Short Term Investments Fitch Rating F1
- Money Market Funds are required to be rated AAA

In addition the Authority will invest with Building Societies with an asset base of at least one billion UK pounds as reviewed annually in the Councils Investment Strategy.

There should be a maximum amount which officers are permitted to invest with any one institution. This amount should be reviewed annually within the Treasury and Investment Strategies and Plan Report to the Council. Deposit accounts held with the Councils own bank are not subject to this limit.

The level of external debt, temporary external borrowing and exposure to variable and fixed rate interest should be set within the Treasury Strategy and Plan Report.

TMP 2 PERFORMANCE MANAGEMENT

Banking services are renegotiated or re-tendered normally every 3-5 years to ensure competitive pricing.

The Council uses money broking services in order to make deposits or to borrow. Charges for all services are established prior to using them to ensure that the relevant terms are satisfactory in the light of market conditions.

The following brokers may be used by the Council:

- Martins Brokers
- Tradition Brokers

The quality of service provided by these brokers shall be monitored on a regular basis and reviewed annually.

In order to provide the best possible value in treasury management the Authority may employ financial consultants for specialist advice on the markets and developments in treasury management and accounting.

The following consultants may be used by the Council

- Arlingclose Treasury Management

The performance of the Council's borrowing activities is monitored by calculating the average interest rate on external borrowing and is compared to the rate for the previous year. This is included in the annual Treasury Management Performance Report.

TMP3 DECISION MAKING AND ANALYSIS

In carrying out treasury management responsibilities the Section 151 Officer will meet on a regular basis with the Head of Finance to discuss and agree the implementation of the Treasury Strategy and Plan, monitor performance and make decisions on operational treasury management issues.

Detailed records will be maintained of all borrowing and investments made by the Council. These records are reconciled on a monthly basis to the financial management system.

In respect of borrowing objectives, the Council will:

- minimise the revenue costs of debt
- manage the debt maturity profile to ensure that there is no overexposure to re-borrowing in any one year
- effect borrowing at the cheapest cost commensurate with future risk
- be aware of the future interest rate forecasts and to borrow accordingly
- monitor and review the level of variable interest rate loans in order to take advantage of interest rate movements
- ensure that borrowings accord with statutory requirements

In respect of investment objectives, the Council will:

- maximise the level of return commensurate with maximum protection of the Council's money
- invest in accordance with the approved list of counterparties
- manage the maturity profile to ensure that there is no exposure to reinvestment at any point in the year
- ensure all investments fall within the definitions of Approved Investments

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1 Treasury Management Procedure Notes

Detailed procedures to be followed when carrying out cash flow monitoring and any borrowing or investment activities will be maintained and updated as requested.

2 Approved Activities of the Treasury Management Operation

- borrowing
- lending
- consideration, approval and use of new financial instruments and treasury management techniques
- managing the underlying risk associated with the Council's capital financing and surplus fund activities
- managing cash flow
- banking activities
- leasing

3 Approved Instruments for Investments

The Council will only invest surplus funds in accordance with the investments approved under the Local Government (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments i.e.

- Institutions authorised under the Banking Act 1987 by the Bank of England
- Building Societies
- Local Authorities
- Other public sector bodies as permitted by the above regulations

4 Approved Methods and Sources of Raising Capital Finance

The following instruments are available and may be utilised to provide capital finance:-

| | Rates of interest | |
|------------------|-------------------|----------|
| | Fixed | Variable |
| PWLB | ✓ | ✓ |
| Market Long-term | ✓ | ✓ |
| Market Temporary | ✓ | ✓ |
| Bank Overdraft | | ✓ |
| Internal Funds | | ✓ |
| Operating Leases | ✓ | ✓ |
| Finance Leases | ✓ | ✓ |

No instruments, other than those listed may be used.

In accordance with the Council's Constitution, Council is responsible for approving the annual Treasury Strategy and Plan.

1 Responsibilities of Staff Relating to Treasury Management

Section 151 Officer

- Ensure that Treasury Management activities comply with the CIPFA Code of Practice for Treasury Management in the Public Services.
- Submit budgets for treasury management activities
- Implement the Council's Treasury Strategy and Plan.
- Report to Council on the Treasury Strategy and Plan for the next financial year and Treasury Management Performance for the past financial year.
- Ensure the adequacy of internal audit and liaise with external audit
- Approve the Council's lending list and any changes to it
- Ensure staff involved in treasury management receive appropriate training
- Ensure that the treasury management function is adequately resourced
- Ensure all staff involved in dealing are aware of the principles contained in the Bank of England's London Code of Conduct for corporate dealing in the money market
- Assess and appoint money brokers
- Ensure that all proposed transactions are intra-vires

Head of Finance/ Financial Services Manager

- Absence cover for the Section 151 Officer
- Prepare the annual Treasury Strategy and Plan Report and the annual Treasury Management Performance Report
- Prepare the annual budget for treasury management activities
- Review TMPs
- Transmit priority payments
- Advise the Section 151 Officer on treasury management matters
- Manage the treasury management function

Technical Accountant

- Check daily cash-flow and agree dealing
- Ensure adherence to Council's lending list
- Check monthly reconciliations
- Maintain procedure notes for the treasury management function
- Dealing and recording of deals
- Completion of Priority Payment forms
- Maintenance of documentation
- Prepare daily and long term cash-flow projections
- Check receipt of treasury management funds
- Prepare documentation to confirm deal which should be signed by an approved signatory.

Trainee Accountant

- Reconcile Treasury records to the financial ledger on a monthly basis.

Other Responsible Officers

Head of Paid Services

- That the system is laid down and properly resourced.
- That the Section 151 Officer complies with statutory guidelines as regards reporting to elected members on treasury policy, activity and performance.

The Monitoring Officer

- Should ensure that all policy and strategy put forward by the Section 151 Officer complies with the law.

Internal Audit Service

- Review compliance with approved policy and procedures.
- Review division of duties and operational practice.
- Review treasury function for probity.

2 Dealing and Decision Making Limits

All treasury management activities should be carried out in accordance with the annual Treasury Strategy and Plan.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1 Annual Treasury Strategy and Plan

The Treasury Strategy and Plan sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to Council for approval before the start of each financial year.

The formulation of the annual Treasury Strategy and Plan involves determining the appropriate borrowing and investment decisions in the light of anticipated movement in both fixed and shorter-term variable interest rates.

The Treasury Strategy and Plan will include the following elements:

- The current treasury position
- The expected movement in interest rates
- The Council's borrowing and debt strategy
- The Council's investment strategy
- Treasury performance indicators (see 2 below)
- Specific limits on treasury activities
- Local treasury issues

The Section 151 Officer must ensure that all proposed transactions are intra-vires, and if not must make a report under Section 114 of the Local Government Finance Act 1988.

The Section 151 Officer and Chief Executive and Monitoring Officer, must ensure that the stated policy is adhered to and if not must also bring the matter to the attention of the elected members as soon as possible.

In the circumstances of a Section 114 report the external auditor must be advised immediately.

2 Borrowing Limits

As required by the Local Government Act 2003 and CIPFA's Prudential Code for Capital Finance in Local Authorities, Council must approve before the beginning of each financial year the following limits:

- the Authorised Limit for External Debt
- the Operational Boundary for External Debt
- the Upper Limit on Fixed Interest Rate Exposure
- the Upper Limit on Variable Interest Rate Exposure

for the forthcoming year and the following two years.

Furthermore Council must approve before the beginning of the financial year:

- the Lower Limit for the Maturity Structure of Borrowing
- the Upper Limit for the Maturity Structure of Borrowing

for the following periods:

- under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above.

The Section 151 Officer is responsible for incorporating these limits into the annual Treasury Strategy and Plan and for ensuring compliance with the limits. Should it prove necessary during the year to amend these limits the Section 151 Officer in consultation with the Chief Executive may in exceptional circumstances do so, but only if it is necessary to avoid incurring a loss or cost to the Council.

Any such interim action must be reported to the Leader of the Council and Chairperson of the Policy, Finance and Development Committee and be endorsed at the next meeting of the Council.

3 Annual Treasury Management Performance Report

An annual report will be presented to Council by the end of September, to report on the performance of the Treasury Management Function for the previous year.

This report will include the following.

- Actual borrowing, investments and repayments for the year, detailing counterparty amounts and terms.
- The actual interest rate changes for the year against the original plan.
- A commentary on general performance
- A commentary on compliance with the Treasury Management Policy Statement and the Treasury Strategy and Plan.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1 Accounting Practices and Standards

The Section 151 Officer will prepare a budget for Treasury Management in accordance with the appropriate accounting practices and standards and with the statutory and regulatory requirements in force.

2 List of Information Requirements of External Auditors

External auditors will have access to all papers supporting and explaining the operation and activities of the treasury management function.

TMP 8 CASH AND CASH FLOW MANAGEMENT

1 Preparation of Cash Flow Statements

Cash flow projections will be prepared on a regular and timely basis in order to effectively manage cash balances and to calculate interest and investment income.

There is no necessity to maintain an aggregate surplus cash balance but where possible it is the intention to achieve a nil cleared balance.

The cash flow forecast is updated daily to take account of income and expenditure i.e. creditors and debtors and this information is provided by the National Westminster Bankline service. This will ensure for the purposes of monitoring compliance with TMP1 Liquidity Risk Management, that adequate funds are available on a regular basis.

Whenever the projected cash flow statement indicates a surplus cash balance funds are invested with institutions on the counterparty list.

The Council make creditor payments on the due date which ensures that funds remain in the account for as long as possible.

Debtor invoices are raised on a regular and timely basis and procedures are in place for reminder and recovery action to take place for unpaid invoices.

Bank statements are received on a daily basis and are reconciled to the Cash Book.

TMP 9 MONEY LAUNDERING

1 Procedures for Establishing Identity of Lenders

The Council does not accept loans from individuals. Loans are obtained from authorised institutions under the Banking Act 1987, building societies or from other public sector bodies, e.g. the Bank of England or other local authorities.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

A number of different courses are run to accommodate the training requirements of staff involved in treasury management activities, as well as those involved at a strategic level. These courses will explain the complexities of dealing procedures, interest calculations, credit ratings, the regulatory framework, different types of investment instruments, etc.

Seminars are held for staff involved in managing the service, issues covered are for example:

- to provide updates on the implications of new regulations/ legislation
- codes of practice
- to obtain the latest economic forecasts for the economy and interest rates.

TMP 11 USE OF EXTERNAL SERVICE PROVIDER

External Service providers may be employed to give expert advice on borrowing and lending decisions. The Council will at all times make sure that these providers will only be employed where there is a clear value for money benefit to the organisation. The selection of these providers will be carried out under the Council's Contract Procedure Rules and their performance and value to the organisation will be monitored and measured.

The Council recognises that responsibility for treasury management decisions lies with the Council at all times

TMP 12 CORPORATE GOVERNANCE

The Council is committed to proper corporate governance, openness and transparency in its treasury management activities as demonstrated by the adoption of the Treasury Management Code of Practice.

Information about the Council's treasury management activities is accessible and the strategy and outturn reports are public documents.

The procedures set out in the TMPs for reporting and audit (both internal and external audit) are designed to ensure the integrity and accountability of the function.

APPENDIX 1

PRUDENTIAL INDICATORS 2022/23

1.0 The Prudential Code

Part 1 of the Local Government Act 2003 and C.I.P.F.A.'s Prudential Code for Capital Finance in Local Authorities (the Code) set out a framework for self-regulation of capital spending, in effect allowing council's to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

The revenue costs of capital investment can be supported through the Revenue Support Grant (RSG) mechanism up to a certain level, known as Supported Capital Borrowing. However, since 2010/11 this support has not been provided and will not be provided in future years as RSG is phased out in

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators.

For housing authorities these are separated for the Housing Revenue Account and non-Housing Revenue Account capital investment.

These indicators are mandatory, but can be supplemented with local indicators if this assists interpretation. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management and form the basis of in year monitoring and reporting.

The indicators are purely for internal use by the Council and are not to be used as comparators between authorities, as any comparisons will be meaningless. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

2.0 Capital Expenditure and the Capital Financing Requirement

The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purpose; the change year on year will be influenced by the capital expenditure in the year. In simple terms the CFR will increase by the amount of capital expenditure to be financed by borrowing less any amount set aside in the year to repay debt.

The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle. There are two main limiting factors on the Council's ability to undertake unsupported capital expenditure:

- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs. Can the Council afford the implications of the unsupported capital expenditure?
- The Government may use a long stop control to ensure that either the total of all local authorities' plans do not jeopardise national economic policies, or in the event of an assessment by central government that local plans are not affordable at a particular council, it may implement a specific control to limit its capital expenditure plans.

The Council's expectations for capital expenditure and Capital Financing Requirement (CFR) in the next three years are shown in the following tables. These form two of the required Prudential Indicators.

2.1 Breakdown of Capital Expenditure by Service

The table below takes into account the Council's estimates of available resources as set out in the Medium Term Financial Strategy and the HRA Business Plan as adjusted for any major changes during the budget setting process.

| | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s | 2024/25 Estimate £ 000s |
|--------------|--|--|--|--|
| General Fund | 1,957 | 4,396 | 1,000 | 1,000 |
| HRA | 2,449 | 3,830 | 1,500 | 1,500 |
| Total | 4,406 | 8,226 | 2,500 | 2,500 |

2.2 Capital Financing Requirement

The actual and estimated CFRs are set out below together with a split between supported and unsupported spending.

| | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s | 2024/25 Estimate £ 000s |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Capital Expenditure * | | | | |
| Unsupported Spend | 4,406 | 8,226 | 2,500 | 2,500 |
| Total Spend | 4,406 | 8,226 | 2,500 | 2,500 |
| Financed By: | | | | |
| Borrowing | 2,130 | 5,121 | 1,000 | 1,000 |
| Capital Receipts | 0 | 910 | 0 | 0 |
| Capital Grants | 4,54 | 695 | 0 | 0 |
| Earmarked Funds | 16 | 0 | 0 | 0 |
| Major Repairs Reserve | 1,806 | 1,500 | 1,500 | 1,500 |
| Revenue | 0 | 0 | 0 | 0 |
| Other Contributions | 0 | 0 | 0 | 0 |
| Total Financing | 4,406 | 8,226 | 2,500 | 2,500 |
| Capital Financing Requirement | | | | |
| CFR – General Fund | 18,011 | 20,797 | 21,182 | 21,521 |
| CFR – HRA | 20,375 | 22,204 | 22,204 | 22,204 |
| Total CFR | 38,386 | 43,001 | 43,386 | 43,725 |

***These figures represent an affordable capital programme rather than the total of capital submissions put forward by budget holders.**

2.3 External Debt

The following estimate of gross external debt is provided for information.

| | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s | 2024/25 Estimate £ 000s |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Borrowing | 33,161 | 38,069 | 38,974 | 39,877 |
| Other Long Term Liabilities | 0 | 0 | 0 | 0 |
| Total Debt 31 st Match | 33,161 | 38,069 | 38,974 | 39,877 |

3.0 Affordability Prudential Indicators

The indicators that follow provide an indication of the impact of the capital investment plans on the overall Council finances.

3.1 Ratio of Financing Costs to Net Revenue Stream

The actual and estimates of the ratio of financing costs to net revenue stream identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

| | 2021/22 Estimate % | 2022/23 Estimate % | 2023/24 Estimate % | 2024/25 Estimate % |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
| General Fund | 15.5 | 11.7 | 13.9 | 14.2 |
| HRA | 10.4 | 10.6 | 10.4 | 10.1 |

3.2 Incremental Impact of Capital Investment Decisions on the Band D Council Tax

The estimates of the incremental impact of capital investment decisions on the Council Tax indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in the budget report compared to

the Council's existing commitments and current plans. The figures are based on the assumptions included in the budget.

| | Budget 2022/23 | Forward Projectio n 2023/24 | Forward Projectio n 2024/25 |
|-------------------|---------------------------|--|--|
| 2022/23 Programme | 1.07 | 1.07 | 1.07 |
| 2024/25 Programme | 0 | 0.42 | 0.42 |
| 2024/25 Programme | 0 | 0 | 0.42 |
| Total | 1.07 | 1.49 | 1.91 |

3.3 Incremental Impact of Capital Investment Decisions on Housing Rent Levels

The estimates of the incremental impact of capital investment decisions on housing rent levels are similar to the Council Tax calculation. This indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget report compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels.

| | Budget 2022/23 | Forward Projectio n 2023/24 | Forward Projectio n 2024/25 |
|-------------------|---------------------------|--|--|
| 2022/23 Programme | 0.30 | 0.30 | 0.30 |
| 2024/25 Programme | 0.0 | 0.0 | 0.0 |
| 2024/25 Programme | 0.0 | 0.0 | 0.0 |
| Total | 0.30 | 0.30 | 0.30 |

3.4 Prudential Indicators and Limits on Activity

A key control over the Council's activity is to ensure that over the medium term net debt will only be for a capital purpose. The Council needs to ensure that net debt does not, except in the short-term, exceed the total of the Capital Financing

Requirement (CFR). The following table sets out the estimated net borrowing position in relation to the estimated CFR.

| | 2020/21 Estimate £ 000s | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s |
|------------------|--|--|--|--|
| Borrowing | 33,161 | 38,069 | 38,974 | 39,877 |
| Investment | 0 | 0 | 0 | 0 |
| Net Debts | 33,161 | 38,069 | 38,974 | 39,877 |
| CFR | 38,386 | 43,001 | 43,386 | 43,725 |

The Section 151 Officer reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2020/21 and no difficulties are foreseen for the current year or in respect of net debt for future years. This opinion takes account of current commitments, existing plans and the proposals in this and the budget report.

It is predicted that the HRA CFR will end 2020/21 at £20.297 million. At present the Council will endeavour to keep it this level steady for this three year cycle of financial planning.

3.5 Treasury Management Prudential Indicators

These indicators are shown in detail at Appendix 2.

APPENDIX 2

TREASURY STRATEGY AND PLAN 2022/23

1.0 Introduction

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) latest Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement, a Treasury Strategy and Plan is prepared each year.

For the purpose of this strategy, treasury management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.

The strategy includes broad principles, which provide the framework within which the Council's treasury management activities are conducted together with detailed plans for the management of the Council's loans and investment portfolios. The strategy includes those indicators required by the Prudential Code that relate to treasury management.

2.0 Treasury Management Objectives

The primary objective of treasury management operations will be to maximise the revenue resources available to the Council whilst ensuring the effective management of risks associated with treasury management activities in accordance with the following principles:

- i) That the cost of borrowing is minimised commensurate with following a prudent funding policy.
- ii) That the most advantageous rates of return on investments are secured commensurate with the primary principle of maintaining the capital value of funds.
- iii) That the Council maintains flexibility in its borrowing and lending portfolios.
- iv) That the Council manages its borrowings and investments as a combined portfolio in order to achieve the optimum net debt position.

The sections below provide a summary of the principal activities anticipated during the period covered.

3.0 Balanced Budget Requirement

It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, it requires a local authority 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 of increase in costs to revenue from:-

- Increases in interest charges caused by increased borrowing and,
- Any increase in running costs from new capital projects

to a level which is affordable within the projected income of the Council for the foreseeable future.

4.0 Current Treasury Position

The Council's detailed treasury position is highlighted in the following table.

| | | 31st March 2021 | | Rate | 31st March 2022 | | Rate |
|-----------------------------|--------|-----------------|---------------|------|-----------------|---------------|------|
| | | Actual | | | Actual | | |
| | | GF | HRA | | GF | HRA | |
| | | £ 000s | £ 000s | % | £ 000s | £ 000s | % |
| Fixed Rate Debt | PWLB | 500 | | 4.10 | 500 | | 4.10 |
| | PWLB | 0 | 16,101 | 3.09 | | 15,095 | 3.13 |
| | PWLB | 4,650 | | 2.66 | 4,566 | | 2.66 |
| | Market | 6,500 | | 0.30 | | | |
| | Market | 2,500 | | 0.10 | | | |
| | Market | | 4,500 | 0.30 | | | |
| | Market | | | | 7,000 | | 0.75 |
| | Market | | | | | 6,000 | 0.75 |
| Variable Rate Debt | PWLB | 0 | 0 | | 0 | 0 | |
| | Market | 0 | 0 | | 0 | 0 | |
| Total Debt | | 14,150 | 20,601 | | 12,066 | 21,095 | |
| Other Long-term Liabilities | | 0 | | | 0 | 0 | |
| Total | | 14,150 | 20,601 | | 12,066 | 21,095 | |
| Fixed Investments | | 5,000 | 0 | | 0 | 0 | |
| Variable Investments | | 0 | 0 | | 0 | 0 | |
| Total Investments | | 5,000 | 0 | | 0 | 0 | |
| Net Borrowing | | 9,150 | 20,601 | | 12,066 | 21,095 | |

5.0 Borrowing and Debt Strategy

General Fund

As at 31st March 2021, the Council's outstanding borrowing for General Fund purposes stood at a total of £13.2 million. This was made up of two loans from the Public Works Loan Board (PWLB), and £9m of short-term borrowing, as shown in the table at 4.0.

Up until the end of 2015/16, the Council was able to utilise cash balances, held in the form of short-term investments, grants and capital reserves, to help in the funding of its capital programme. Consequently, the Council was able to avoid increasing its long term borrowing, despite carrying out ambitious schemes both in the General Fund and Housing Revenue Account.

In 2016/17 the financing of the Council's new leisure development was finalised. The Council borrowed £5 million from the PWLB, taken over 39 years. The remaining £5 million of the £10 million project was funded by internal borrowing.

From 2016/17 to 2021/22 the Council did not borrow any further funds long term and instead continued to take advantage of the very low short term rates to keep interest payments under control. While there is scope to continue with this policy to some extent, the need to control the council's exposure to refinancing risk means that future borrowing in support of the capital programme will need to consist of a mix of short and long-term debt.

Short-term debt applicable to the General Fund is forecast to fall to £7m during 2021/22, due to the liquidation of £5m of short-term investments held for treasury purposes over year end offsetting capital expenditure in-year. An additional £1m of short-term borrowing is forecast in both 2023/24, and 2024/25, in support of the capital program.

No new long-term borrowing is forecast on the general fund over the next four years.

Total external debt relating to the General Fund for future financial years is expected to be:

| | |
|---------|---------------|
| 2022/23 | £14.5 million |
| 2023/24 | £15.4 million |
| 2025/25 | £16.3 million |

The self financing settlement involved the Council taking on £18.114 million of PWLB borrowing. The HRA business plan provides the repayment of HRA debt over its life. The initial borrowing was commenced to repayment in 2020, however due to changes in government legislation which has impacted

detrimentally on the financial position of the HRA, this debt repayment plan is now likely to need restructuring with a new plan being drawn up.

In 2016/17 and 2017/18 the HRA used a total of £1.6m borrowing to fund its capital programmes. This initially was supported by internal balances, however £2.0m of short-term borrowing in 2018/19 can be attributed to the support of the HRA capital programme, with an additional £0.5m forecast again in 21/22

The Council’s initial investment of £18.114m which it borrowed for the new financial regime for housing in 2012 commenced repayment at the end of 2019/20, at the rate of £1m per annum. This repayment has been refinanced from short-term borrowing to date, however as from 2023/24, it will be necessary to refinance using new long-term borrowing, in order to maintain the proportion of short-term borrowing to gross debt below 50%.

6.0 Prudential Indicators and Limits on Activity

The purpose of these Prudential Indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk of an adverse movement in interest rates impacting negatively on the Council’s overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

6.1 Authorised Limit for External Debt

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

| | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s | 2024/25 Estimate £ 000s |
|-----------------------------|--|--|--|--|
| Borrowing | 43,000 | 48,000 | 49,000 | 50,000 |
| Other Long Term Liabilities | 0 | 0 | 0 | 0 |
| Total | 43,000 | 48,000 | 49,000 | 50,000 |

The Chief Financial Officer (Section 151 Officer) reports that the authorised limits given above are consistent with the council’s current commitments, existing plans and the proposals in the capital programme report. The limits are also consistent with the Council’s approved treasury management policy statement and practices. Risk

analysis of the key elements of the council's cash flow forecasts has been undertaken to determine these limits.

6.2 Operational Boundary for External Debt

This indicator is based on the probable external debt during the course of the year (allowing for peaks and troughs in cash flow and the impact of treasury management decisions). It is not a maximum and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

| | 2021/22 Estimate £ 000s | 2022/23 Estimate £ 000s | 2023/24 Estimate £ 000s | 2024/25 Estimate £ 000s |
|-----------------------------|--|--|--|--|
| Borrowing | 38,000 | 43,000 | 44,000 | 45,000 |
| Other Long Term Liabilities | 0 | 0 | 0 | 0 |
| Total | 38,000 | 43,000 | 44,000 | 45,000 |

6.3 Limits in Interest Rate Exposure

Upper Limits on Variable Rate Exposure – This indicator identifies a maximum limit for variable interest rates based upon net interest payments.

Upper Limits on Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

| | 2020/21 Upper % | 2021/22 Upper % | 2022/23 Upper % |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Limits on Fixed Interest Rates | 100 | 100 | 100 |
| Limits on Variable Interest Rates | 25 | 25 | 25 |

6.4 Maturity Structure of Fixed Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

| | Lower % | Upper % |
|----------------------|----------------|----------------|
| Under 12 months | 0 | 50 |
| 12 months to 2 years | 0 | 50 |
| 2 years to 5 years | 0 | 50 |
| 5 years to 10 years | 0 | 100 |
| 10 years and above | 0 | 100 |

6.5 Total Principal Sums Invested

The purpose of this indicator is to control the Council'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 | 2021/2 2 | 2022/2 3 | 2023/2 4 |
|---|---------------------|---------------------|---------------------|
| Limit on principal invested beyond year end | £10m | £10m | £10m |

7.0 Local Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the Prudential Indicators, which are predominantly forward looking. The Council also sets local performance indicators which are as follows.

| Local Indicator | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|----------------|----------------|----------------|----------------|
| Average rate of interest on borrowing compared to the national average | Level | Level | Level | level |
| Average rate of interest on investments compared to the national average | Level | Level | Level | Level |

The results of these indicators will be reported as part of the Treasury Management Annual Report before 30th September each year.

8.0 Minimum Revenue Provision

Local authorities are required each year to set aside some of their revenue budget as provision for debt repayment. This scheme of Minimum Revenue Provision (MRP) is set out in sections 27, 28 and 29 of the Capital Finance Regulations 2003.

Under the guidance a statement of policy on making MRP is required. Members are asked to approve the following statement:

General Fund

For the financial year 2022/23, it is proposed that in respect of debt that is supported by Revenue Support Grant (RSG), MRP is calculated using the Capital Financing Requirement (CFR) method. For new borrowing for which no Government support is being given and is therefore self- financed, it is proposed that the Weighted Average Asset Life method will be used.

The CFR method calculates MRP as 2% of the non-housing CFR at the end of the preceding financial year (2% of the capital expenditure funded by supported borrowing). This is consistent with the way in which supported borrowing costs are paid through Revenue Support Grant.

The Weighted Average Asset Life method requires that the MRP for non-supported debt be calculated by dividing the non-supported CFR by a weighted average of the expected lifetime of the Council's assets on an equal instalment basis. In the case of Oadby and Wigston, the weighted average asset life is currently 34 years.

This approach gives a robust basis and has been recognised as appropriate by the external auditors in a number of authorities in the past. It also allows for borrowing which is not directly linked to a particular asset. Treasury management procedures mean that the cheapest course of action to fund expenditure is to use the Council's uncommitted cash balances before borrowing externally, due to the poor returns we currently experience with our cash deposits. This means that we may be able to delay borrowing whilst we use our own cash, hence when we do decide to borrow this is not always directly attributable to a specific asset, it may in fact fund a number of assets or capital enhancements to existing assets.

HRA

There is no statutory requirement to make a MRP in the HRA. There is, therefore, no requirement to follow the DCLG Guidance when considering an appropriate provision for the HRA. Therefore, because

- There is no statutory requirement,***
- Repayment of debt is began in March 2020 and***
- Resources were required in the early years of the HRA business plan to fund the demands of the asset management strategy***

It is planned in the short term that HRA debt will be replaced with short term borrowing, in order to minimise the costs of servicing the debt. However, from 2023/24 onwards, it will be necessary to take on new long-term borrowing, in order maintain the proportion of short-term borrowing to gross debt below 50%.

INVESTMENT STRATEGY and PLAN 2022/23 – 2024/25

1.0 Introduction

This strategy is written in accordance with guidance issued under section 15 (1) (a) of the Local Government Act 2003, the Department of Communities and Local Government (DCLG) Guidance on Local Authority Investments issued in April 2010, any revisions of that guidance, the Audit Commission's report on Icelandic investments and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2017).

The objectives of this strategy are to:

- Security - facilitate investment decisions which ensure that the Council's investment sums remain secure
- Liquidity - ensure the liquidity of investments so that the Council has sufficient cash resources available to carry out its functions at all times
- Optimum Yield - achieve the maximum return on investments after taking into account security and liquidity

2.0 Current Investments

Surplus funds arising from day to day operations are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain maximum benefit from the Council's cash position throughout the year. In the current financial climate only specified investments will be considered as set out below.

3.0 Investments: Loans

In accordance with relevant guidance, all investments will be placed with counterparties included on the Council's approved list. Institutions with which specified investments will be made include:

- UK government institutions and other local authorities
- institutions which have been awarded a high quality credit rating by a credit rating agency

The length of time an investment can be placed for is specified below under each category of counterparty, normally this will be no longer than 364 days.

Non-Specified Investments are any investment not meeting the definition of a specified investment above. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

The Council's Treasury Management Practice note 1 (3) states that 'The Section 151 Officer will be responsible for preparing for the Council a list of institutions in which the Council's funds may be invested. This list will be supported by details of the

criteria employed to assess the various credit standings of counterparties'. The following credit ratings will be considered:

- Long-term ratings – these range from the highest rating of AAA to the lowest rating of D. As the title suggests, this indicator reflects the long-term stability of the institution.
- Short-term ratings - These have a time horizon of less than 12 months and therefore place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. As most of the Council's investments are expected to be for less than 364 days, this is of particular importance. The ratings are F1 (highest credit quality), F2 (good credit quality), F3 (fair credit quality) and B to D (representing various levels of potential default).
- Individual ratings – These range from the highest of A to the lowest of F. This rating is only assigned to banks and attempts to assess how it would be viewed if it were entirely independent and could not rely upon external support.
- Support ratings – These range from 1 to 5 with 1 being the highest. It is a judgement on whether a bank would receive support should this become necessary. It is assumed that any such support would come from the sovereign state or institutional owners.

The Council's counterparty list needs to provide security for the amounts invested whilst containing a sufficient number of institutions with which to place funds. For the purpose of this strategy in respect of Categories 1 and 2 below, only counterparties that meet all of the following criteria will be considered for investment.

- UK banks
- Building societies with asset bases in excess of £6 billion.
- By reference to all three major credit rating agencies (Fitch, Standard and Poor's, Moody's) only those that reach the minimum standard for the lowest agency rating set out.

Category 1

The minimum ratings that will be considered for all agencies are set out below:

| Term | Credit Agency | | |
|------------|---------------|---------|-------|
| | Fitch | Moody's | S & P |
| Short | F1 | P1 | A1 |
| Long | AA- | AA3 | AA- |
| Individual | C | D | |
| Support | 3 | | |

For any organisation that meets the above criteria, up to £1.5m may be invested at any one time for a maximum duration of 364 days.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Category 2

The minimum ratings that will be considered for all agencies are set out below:

| Term | Credit Agency | | |
|------------|---------------|---------|-------|
| | Fitch | Moody's | S & P |
| Short | F1 | P1 | A1 |
| Long | A | A2 | A1 |
| Individual | C | D | |
| Support | 3 | | |

For any organisation that meets the above criteria, up to £1m may be invested at any one time for a maximum duration of 12 months.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Other counterparties that can be used and any restrictions applicable are set out below.

Debt Management Office

Investments of a maximum duration of 6 months can be made with this Government department.

Public Authorities in England, Scotland and Wales

Investments totalling up to £5m at any one time with a maximum duration of three years can be made with these bodies. These include local government, fire and police authorities.

Money Market Funds

Investments of up to £1.5m per fund at one time can be made provided they are AAA rated.

Credit ratings are monitored on a daily basis using Sector's credit rating service by the Section 151 Officer who will determine the amendments to be made to the counterparty list when credit ratings change.

The proposed counterparty list for investments is given at Annex 3.1.

The period for which investments are placed will be based on the Council's cash flow forecasts and estimates of movements in interest rates. The Council generally does not expect to place investments for longer than 364 days although this situation will be kept under review by the Section 151 Officer should a longer term investment opportunity occur. Long-term investments will only be made where it is clear that surplus cash resources are not required for the day to day financing of the Council's activities. The maximum period for any long-term investments will be the three-year planning cycle covered by this strategy.

4.0 Policy on the Use of External Service Providers

External advisors will be used when appropriate e.g. to undertake independent valuations prior to acquisition, asset valuation or when there is a lack of expertise in-house regarding an industry.

The Authority uses Link Asset Services as an external treasury advisor but still recognise that responsibility for treasury management decisions remains with the Council at all times. Whilst it is recognised that undue reliance should not be placed on external advisors, it is valuable to be able to access specialist skills and resources.

5.0 Scheme of Delegation

Full Council

- Approval of annual strategy
- Review of treasury management policy and procedures, including making recommendations to responsible body

Policy, Finance and Development Committee

- Approval of annual treasury outturn report
- Approval of mid year treasury management updates
- Mid year treasury management updates

Section 151 Officer

- Day to day management of treasury management, within agreed policy
- Appointment of external advisors, within existing Council procurement procedures and standing orders.

6.0 Role of Section 151 Officer

The Section 151 Officer has day to day responsibility for running the treasury management function.

7.0 Ethical Investment Strategy

The Council aims to be aware of ethical issues within its investment strategy. Where any member of the Council becomes concerned about such issues, these matters should be reported to the Section 151 Officer. Where necessary, the Section 151 Officer will then present a response to the concerns raised to the next meeting of the Policy, Finance and Development Committee.

EXTERNAL INVESTMENT OF FUNDS - APPROVED INSTITUTIONS**Category 1**

| Restrictions | |
|---|----------|
| Max Amount £m | 1.5 |
| Duration | 364 days |
| Asset Base (Building Societies Only) | £6 bn |

Category 2

| Restrictions | |
|---|----------|
| Max Amount £m | 1 |
| Duration | 364 days |
| Asset Base (Building Societies Only) | £6 bn |

The following institutions will also be classed as Category 2 although they currently may not meet the exact criteria.

Barclays Bank Plc

Lloyds Bank Plc

HSBC Plc

Santander UK Plc

National Westminster Bank Plc

Royal Bank of Scotland Plc

Bank of Scotland Plc

Nationwide Building Society

Debt Management Office

| Restrictions | |
|----------------------|----------|
| Max Amount £m | N/A |
| Duration | 6 months |

Operated by a National Government Department

Public Authorities in England, Scotland and Wales

| Restrictions | |
|----------------------|---------|
| Max Amount £m | 5 |
| Duration | 3 Years |

All public authorities (including local government, fire and police authorities) in England, Wales and Scotland

Money Market Funds

| Restrictions | |
|----------------------|-----|
| Max Amount £m | 1.5 |
| Duration | N/A |

Funds must be AAA-rated and operated by a company regulated by the Financial Services Authority. The Section 151 Officer, under delegated powers, will choose the appropriate fund(s).



| | | |
|--|----------------------------------|-------------------------------|
| Policy, Finance and Development Committee | Tuesday, 01 February 2022 | Matter for Information |
|--|----------------------------------|-------------------------------|

Report Title: **Standards & Ethical Indicators (Q3 2021/22)**

Report Author(s): **David Gill (Head of Law and Democracy / Monitoring Officer)**

| | |
|---|--|
| Purpose of Report: | To receive the figures for local determination of complaints and ethical indicators for Q3 2021-22. |
| Report Summary: | The report provides information in relation to Member Complaints, Corporate and Ombudsman Complaints, Freedom of Information Requests and Anti-Social Behaviour Reports and Resolutions. |
| Recommendation(s): | A. That the content of the report and appendix be noted. |
| Senior Leadership, Head of Service, Manager, Officer and Other Contact(s): | Anne Court (Chief Executive / Head of Paid Service) (0116) 257 2602 anne.court1@oadby-wigston.gov.uk David Gill (Head of Law & Democracy / Monitoring Officer) (0116) 257 2626 david.gill@oadby-wigston.gov.uk |
| Corporate Objectives: | Providing Excellent Services (CO3) |
| Vision and Values: | Accountability (V1) Respect (V2) "A Stronger Borough Together" (Vision) Customer Focus (V5) |
| Report Implications:- | |
| Legal: | There are no implications arising from this report. |
| Financial: | There are no implications arising from this report. |
| Corporate Risk Management: | Political Dynamics (CR3) Reputation Damage (CR4) Regulatory Governance (CR6) |
| Equalities and Equalities Assessment (EA): | There are no implications arising from this report. EA not applicable |
| Human Rights: | There are no implications arising from this report. |
| Health and Safety: | There are no implications arising from this report. |

| Statutory Officers' Comments:- | |
|---------------------------------------|---|
| Head of Paid Service: | The report is satisfactory. |
| Chief Finance Officer: | The report is satisfactory. |
| Monitoring Officer: | As the author, the report is satisfactory. |
| Consultees: | None. |
| Background Papers: | None. |
| Appendices: | Standards & Ethical Indicators (Q3 2021/22) |

Information

- 1.1 Regular reporting about the Council's activities under the Regulation of Investigatory Powers Act 2000 is a statutory requirement under the oversight regime of the Investigatory Powers Commissioner.
- 1.2 This report to Members covers the third quarter (Q3) of 2021/22.
- 1.3 The report also contains other matters which Officers considered would be of interest to Members, including the number and disposal of Member Complaints, the number of Corporate and Ombudsman complaints, the number of Freedom of Information requests and the number of anti-social behaviour reports and resolutions.
- 1.4 The quarter three report for 2021/22 is attached at Appendix 1 for Members' information.



OADBY AND WIGSTON BOROUGH COUNCIL

STANDARDS AND ETHICAL INDICATORS

QUARTER 3 REPORT

2021/2022

1. Introduction

This is the quarterly report to the Policy Finance and Development Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2021/2022.

For clarification purposes the months covered by the quarters are as follows:

Quarter 1 – 1 April to 30 June
Quarter 2 – 1 July to 30 September
Quarter 3 – 1 October to 31 December
Quarter 4 – 1 January to 31 March

The report is split into two parts for ease of reference; Part 1 refers to the local determination of complaints, part 2 is the table showing the ethical indicators figures.

The report will enable the Policy Finance and Development Committee to build up a picture over time of how many complaints are received and where these are coming from. The parts of the Code of Conduct which have been breached will also be recorded to enable training to be targeted effectively.

2. Part 1 – Local Determination of Complaints

The Monitoring Officer received 0 complaints in Quarter 3 of 2021/2022.
1 outstanding complaint from Quarter 2 was resolved in Quarter 3

2.1 Source of Complaint

The outstanding complaint was received from an elected Member about comments made by another Member during a Full Council meeting. Having assessed the complaint and taken advice from 1 of the Independent Persons the Monitoring Officer determined that the words complained of did not amount to a breach of the Code of Conduct.

2.2 Assessment Sub-committee Decisions

There have been No Assessment Sub-committee meetings in this quarter.

2.3 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

2.4 Review Requests

There have been no review requests in this quarter. Review requests can only be made following a decision of 'No further Action' by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.5 Subsequent Referrals

None

2.6 Outcome of Investigations

There were no formal investigations concluded in this period.

2.7 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Policy Finance and Development Committee to determine where there needs to be further training for Councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

So far this year, the following areas of the code were found to have been breached:

Not applicable

| Ref | Performance Indicator Description | Officer responsible for providing information | Q1 | | Q2 | | Q3 | | Q4 | |
|-----|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| LG1 | Objections to the Council's Accounts | Head of Finance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG2 | Follow up Action relating to reaches of the Member/Officer Protocol (Members) | Head of Law & Democracy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG3 | Disciplinary Action relating to breaches of the Member / Officer Protocol (Staff) | HR Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG4 | Number of Whistle Blowing Incidents Reported | Head of Law & Democracy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG5 | No. of Recommendations made to improve Governance Procedures/Policies | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG6 | No. of Recommendations Implemented | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |

Corporate Complaints

| Ref | Performance Indicator Description | Officer responsible for providing information | Q1 | | Q2 | | Q3 | | Q4 | |
|------|--|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| LG7 | No. Corporate Complaints received | Data Protection Officer | 19 | 37 | 15 | 35 | 29 | 20 | 43 | |
| | No. Corporate Complaints escalated to L2 | | 3 | 7 | 1 | 1 | 4 | 5 | 2 | |
| | No. Corporate Complaints escalated to Ombudsman | | 1 | 1* | 0 | 0 | 0 | 0 | 0 | |
| LG7a | No. Corporate Complaints Resolved at L1 | | 19 | 30 | 14 | 34 | 29 | 15 | 41 | |
| | No. Corporate Complaints Resolved at L2 | | 3 | 36 | 1 | 1 | 4 | 5 | 2 | |
| LG7b | No. Corporate Complaints where compensation paid | | 0 | 0 | 0 | 0 | 0 | 1 | 2 | |
| | Service Area | | - | - | - | - | - | Housing | - | |
| LG8 | No. Ombudsman complaints received | | 0 | 1* | 1 | 0 | 1 | 0 | 0 | |
| | Service Area | | - | Housing | Comms | - | Housing | - | - | |
| LG8a | No. Ombudsman complaints resolved | | 1 | 0 | 1 | 0 | 1 | 0 | 0 | |
| LG8b | No. Ombudsman complaints not yet determined by the Ombudsman | | 1 | 1 | 0 | 0 | 0 | 0 | 0 | |
| LG8c | No. Ombudsman complaints where compensation paid | | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |

* Escalated to the Housing Ombudsman

Freedom of Information Act Indicators

| Ref | Performance Indicator Description | Officer responsible for providing information | Q1 | | Q2 | | Q3 | | Q4 | |
|------|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2019/2020 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| LG9a | No. of FOI Requests Compliant | Data Protection Officer | 88 | 113 | 127 | 109 | 135 | 139 | 163 | |
| LG9b | No. of Non-compliant FOI Requests | | 32 | 19 | 27 | 39 | 27 | 16 | 24 | |
| LG9c | No. of FOI Requests still open and within the 20 working days | | 0 | 0 | 0 | 1 | 5 | 1 | 0 | |
| LG9d | No. of FOI Requests withheld due to exemptions/fees applied | | 4 | 7 | 3 | 4 | 2 | 0 | 2 | |

Regulation of Investigatory Powers Act Indicators

| Ref. | Performance Indicator Description | Officer Responsible for Providing Information | Q1 | | Q2 | | Q3 | | Q4 | |
|-------|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| LG10 | No. of Directed Surveillance Authorisations granted during the quarter | Head of Law & Democracy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10a | No. in force at the end of the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10b | No. of CHIS recruited during the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10c | No. ceased to be used during the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10d | No. active at the end of the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10e | No. of breaches (particularly unauthorised surveillance) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10f | No. of applications submitted to obtain communications data which were rejected | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10g | No. of Notices requiring disclosure of communications data | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10h | No. of authorisations for conduct to acquire communications data | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LG10i | No. of recordable errors | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |

Anti-Social Behaviour Indicators

| Ref. | Performance Indicator Description | Officer responsible for providing information | Q1 | | Q2 | | Q3 | | Q4 | |
|------|--|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| | No. of Complaints Registered | Head of Community & Wellbeing | 31 | 31 | 31 | 27 | 11 | 17 | 35 | |
| | No. of Disposals | | 13 | 10 | 13 | 16 | 3 | 9 | 1 | |
| | No. of Complaints still Open | | 4 | 0 | 4 | 2 | 0 | 3 | 0 | |
| | No Further Action (where suspect identified) | | 3 | 2 | 3 | 3 | 1 | 5 | 3* | |
| | No Further Action (no suspect identified) | | 11 | 19 | 11 | 18 | 7 | 9 | 32 | |

* One reported incident resulted in 2 suspects being identified

Food Safety Inspections

| Ref. | Performance Indicator Description | Officer responsible for providing information | Q1 | | Q2 | | Q3 | | Q4 | |
|-------|---|---|-----------|-----------|-----------|------------------------|-----------|-------------------------|-----------|-----------|
| | | | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| BPE31 | No. of Programmed Inspections | Head of Law & Democracy | 46 | 56 | 43 | 1 15 17 | 24 | 4 27 62 | 101 | |
| | No. of Programmed Inspections Completed | | 4 | 14 2* | 4 | 1 3 0 *(2) 96 | 4 | 2 0 0 *(2)31 | | |
| | No. of Programmed Inspections Outstanding | | 42 | 13* | *81 | 0 12 17 | *101 | 2 27 62 *(2)65 | 94 | |

(1) Following The Food Standard Agency's latest guidance on routine food inspections, we have prioritised inspections according to risk (High/Medium and low) All businesses are risk rating into A-E (A and B are high risk, C/D medium risk and E low risk).

In October 2021 we moved on to Phase 2 of the recovery plan all High Risk must be inspected. Phase 2 runs to 2023.

- Phase 2. All A's to be completed by March 2022.
- All B's to be completed by June 2022.
- From Sept 2022 the recovery of C-D's will start.
- Phase 2 will complete by end of March 2023 with all outstanding inspections from A-D completed.
- Low risk can be deferred.

(2) We are continuing to Triage new businesses and share data with Trading Standards of new food registrations. In Quarter 3 we have started to roll out the physical inspections and will continue in Quarter 4. We continue to use the help of two local EHO's to undertake some inspections as extra resources as a short term solution due to staff shortages.