



#### TO COUNCILLOR:

Mrs R H Adams (Deputy Mayor)  
N Alam  
L A Bentley  
G A Boulter  
J W Boyce  
Mrs L M Broadley  
F S Broadley  
D M Carter  
M H Charlesworth

Ms H E Darling  
M L Darr  
Mrs L Eaton JP  
D A Gamble  
F S Ghattoraya  
Mrs S Z Haq  
Miss P V Joshi  
J Kaufman  
Mrs L Kaufman (Mayor)

Miss A Kaur  
Ms C D Kozlowski  
Mrs H E Loydall  
K J Loydall  
D W Loydall  
Mrs S B Morris  
R E R Morris  
Dr I K Ridley

Dear Sir or Madam

I hereby **SUMMON** you to attend a meeting of the **FULL COUNCIL** to be held at the **COUNCIL OFFICES, STATION ROAD, WIGSTON** on **THURSDAY, 24 FEBRUARY 2022** at **7.00 PM** for the transaction of the business set out in the Agenda below.

Yours faithfully

Council Offices  
Wigston  
**16 February 2022**

**Mrs Anne E Court**  
Chief Executive



#### 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/BmLRL6uTEzs>

#### **1. Calling to Order of the Meeting**

The meeting of the Council will be called to order to receive Her Worship The Mayor and Deputy Mayor.

#### **2. 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.

### **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**

**5 - 9**

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. Motions on Notice**

To consider any Motions on Notice in accordance with Rule 14 of Part 4 of the Constitution.

### **7. Petitions, Deputations and Questions**

To receive any Petitions, Deputations and, or, to answer any Questions by Members or the Public in accordance with Rule(s) 11, 12, 13 and 10 of Part 4 of the Constitution and the Petitions Procedure Rules respectively.

### **8. Mayor's Announcements**

To receive any announcements from the Mayor in accordance with Rule 2 of Part 4 of the Constitution.

#### **a. Official Mayoral / Deputy Mayoral Engagements**

**To Follow**

### **9. Leader's Statement**

To receive any statement from the Leader of the Council in accordance with Article 2.9.2(ii) of Part 2 of the Constitution.

### **10. Council Tax Setting 2022/23**

**10 - 15**

(Head of Finance/Deputy S151 Officer.

### **11. Budget & Medium Term Financial Strategy 2022/23**

**16 - 46**

Report of the

### **12. Treasury Management Policy and Strategies 2022/23**

**47 - 85**

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

### **13. Pay Policy Statement 2022/23**

**86 - 95**

Report of the Chief Executive / Head of Paid Service.

### **14. Amendment to Membership of Council Bodies (February 2022)**

**To Follow**

**For more information, please contact:**

**Democratic Services**

Oadby and Wigston Borough Council  
Council Offices  
Station Road, Wigston  
Leicestershire  
LE18 2DR

**t:** (0116) 257 2775

**e:** democratic.services@oadby-wigston.gov.uk

**You can access all available public meeting documents  
and audio-visual live streams and recordings electronically on:**



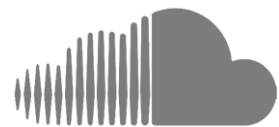
Our website **oadby-wigston.gov.uk** under  
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# Agenda Item 4

## **MINUTES OF THE MEETING OF THE FULL COUNCIL HELD AT THE COUNCIL OFFICES, STATION ROAD, WIGSTON ON TUESDAY, 21 DECEMBER 2021 COMMENCING AT 6.30 PM**

### **PRESENT**

Mrs L Kaufman Mayor  
Mrs R H Adams Deputy Mayor



### **COUNCILLORS**

N Alam  
L A Bentley  
G A Boulter  
J W Boyce Leader of the Council  
M H Charlesworth  
D A Gamble  
F S Ghattoraya Deputy Leader of the Opposition  
Mrs S Z Haq Deputy Leader of the Council  
Miss P V Joshi Leader of the Opposition  
J Kaufman

### **OFFICERS IN ATTENDANCE**

C Campbell Head of Finance / Acting Section 151 Officer  
Mrs A E Court Chief Executive / Head of Paid Service  
D M Gill Head of Law & Democracy / Monitoring Officer  
Mr A J Hunt Democratic Services Officer  
S Tucker Democratic & Electoral Services Manager / Deputy Monitoring Officer  
S Wheeliker Democratic Services Officer

### **REMOTE ATTENDANCE**

M L Darr  
Dr I K Ridley

### **107. CALLING TO ORDER OF THE MEETING**

The meeting of the Council was called to order to receive Her Worship The Mayor and Deputy Mayor.

A minute's silence was observed in memory of former Chief Executive John Burton.

### **108. APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillors Mrs L M Broadley, D M Carter, R F Eaton, Mrs L Eaton JP, Miss A Kaur, Ms C D Kozlowski, Mrs H E Loydall and K J Loydall JP.

Councillors M L Darr and Dr I K Ridley attended the meeting remotely.

### **109. DECLARATIONS OF INTEREST**

None.

### **110. MINUTES OF THE PREVIOUS MEETING**

**Full Council**  
Tuesday, 21 December 2021

Mayor's  
Initials

By affirmation of the meeting, it was

**UNANIMOUSLY RESOLVED THAT:**

**The minutes of the previous meeting held on 28 September 2021 be taken as read, confirmed and signed.**

**111. ACTION LIST ARISING FROM THE PREVIOUS MEETING**

There was no Action List arising from the previous meeting.

**112. MOTIONS ON NOTICE**

None.

**113. PETITIONS, DEPUTATIONS AND QUESTIONS**

None.

**114. MAYOR'S ANNOUNCEMENTS**

**114a. OFFICIAL MAYORAL / DEPUTY MAYORAL ENGAGEMENTS**

By affirmation of the meeting it was

**UNANIMOUSLY RESOLVED THAT:**

The list of Official Engagements attended by The Mayor and/or Deputy Mayor be noted.

**115. LEADER'S STATEMENT**

The Leader of the Council presented a Statement outlining his recent work, the administration's plans and an overview of recent decisions taken since the previous meeting of the Council.

The Leader requested that his gratitude to the Council's staff for their resilience in continuing to deliver services uninterrupted during the previous twelve months in spite of ongoing national and local pressures be placed on record.

**116. ADOPTION OF THE LGA MODEL CODE OF CONDUCT WITH LOCAL AMENDMENTS**

The Council gave consideration to the report as set out on pages 11 - 47 of the agenda, which asked it to consider adoption of the Local Government Association (LGA) Model Code of Conduct for Members with local amendments.

It was moved by Councillor M H Charlesworth, seconded by Councillor G A Boulter and

**UNANIMOUSLY RESOLVED THAT:**

- (i) The Local Government Association (LGA) Model Code of Conduct for Members with local amendments be adopted with effect from 1 April 2022; and**
- (ii) The Monitoring Officer be given delegated authority to make any consequential amendments to the Council's Constitution.**

**117. APPOINTMENT OF DIRECTOR / SECTION 151 OFFICER**

The Council gave consideration to the report as set out on pages 48-50 of the agenda reports pack which asked it to approve the appointment of a Director / Section 151 Officer.

The Leader of the Council requested that his gratitude to the Interim Head of Finance / Section 151 Officer be placed on record.

It was moved by D A Gamble, seconded by Councillor G A Boulter and

**UNANIMOUSLY RESOLVED THAT:**

- (i) **The appointment of Tracy Bingham as the Council's Director / Section 151 Officer be confirmed with effect from 31 January 2022 be approved; and**
- (ii) **The Monitoring Officer be instructed to review and amend the Council's Constitution as appropriate.**

**118. SOUTH LEICESTERSHIRE LOCAL PLAN MAKING STATEMENT OF COMMON GROUND (OADBY AND WIGSTON, BLABY AND HARBOROUGH)**

The Council gave consideration to the report as set out on pages 51 - 63 of the agenda, which asked it to approve the South Leicestershire Local Plan Making Statement of Common Ground as set out at Appendix A.

It was moved by the Leader of the Council, seconded by Mrs S Z Haq and

**UNANIMOUSLY RESOLVED THAT:**

**The South Leicestershire Local Plan Making Statement of Common Ground be approved.**

**119. PUBLIC SECTOR AUDIT APPOINTMENTS LIMITED (PSAA) – APPOINTMENT OF NEXT EXTERNAL AUDITOR**

The Council gave consideration to the report as set out on pages 3-7 of the agenda update pack, which asked it to approve the appointment of a new external auditor for 2023/24.

It was moved by Councillor M H Charlesworth, seconded by Councillor J Kaufman and

**UNANIMOUSLY RESOLVED THAT:**

- (i) **The Council opts-in to the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors; and**
- (ii) **Authority be delegated to the Section 151 Officer to submit the formal notice of acceptance and provision of information to PSAA as required.**

**120. REVIEW OF MINIMUM REVENUE PROVISION (MRP) (DECEMBER 2021)**

The Council gave consideration to the report as set out on pages 8-11 of the agenda update pack, which asked it to note the findings of the review of the Council's Minimum

Revenue Provision and approve an alternative methodology.

A number of Members welcomed the review findings, and felt reassured by the fact that the proposals were underpinned by CIPFA approved methodologies.

It was moved by G A Boulter, seconded by The Leader of the Council and

**UNANIMOUSLY RESOLVED THAT:**

- (i) The change in methodology be approved; and**
- (ii) The resulting savings be added to the Medium Term Financial Plan from 2022/23 onwards.**

**121. DRAFT BUDGET 2022/23**

The Council gave consideration to the report as set out on pages 12-61 of the agenda update pack, which asked it to note and approve the early draft position for the 2022/23 Budget, and the scale of Fees and Charges for 2021/22.

It was moved by the Leader of the Council, seconded by L A Bentley and

**UNANIMOUSLY RESOLVED THAT:**

- (i) The proposals in the Draft Budget 2022/23 be approved; and**
- (ii) The Scale of Fees & Charges 2021/22 be approved.**

**122. 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 items below on the grounds that it involved 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.

**123. LEICESTERSHIRE BUILDING CONTROL PARTNERSHIP - DELEGATED SERVICE (EXEMPT)**

The Council gave consideration to the exempt report as set out on pages 64 – 97 of the private agenda reports pack.

It was moved by M H Charlesworth, seconded by J Kaufman and

**UNANIMOUSLY RESOLVED THAT:**

**Recommendations A, B & C be approved.**

**124. RESOLUTION TO EXTEND SIX-MONTH MEETING ATTENDANCE RULE (DECEMBER 2021) [EXEMPT]**

The Council gave consideration to the exempt report as set out on pages 98 - 100 of the

private agenda reports pack.

It was moved by The Leader of the Council, seconded by Mrs S B Morris and

**UNANIMOUSLY RESOLVED THAT:**

**The resolution to extend the six-month meeting attendance rule for the affected Councillors initially until Monday 9 May 2022 be approved.**

**THE MEETING CLOSED AT 9.15 PM**



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**Mayor**

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**Thursday, 24 February 2022**

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





<b>Full Council</b>	<b>Thursday, 24 February 2022</b>	<b>Matter for Information and Decision</b>
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**Report Title:**

**Council Tax Setting (2022/23)**

**Report Author(s):**

**Comie Campbell (Head of Finance/Deputy S151 Officer)**

<b>Purpose of Report:</b>	The purpose of this report is for Oadby and Wigston Borough Council to set and approve the amount of Council Tax for its area in accordance with section 30(2) of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
<b>Report Summary:</b>	<p>Approval is sought for Oadby and Wigston Borough Council's associated Band D Council Tax for 2022/23 of £239.50.</p> <p>Members should note that the wording of this report is and the recommendations are largely prescribed.</p>
<b>Recommendation(s):</b>	<p><b>A. It be noted that under powers delegated to the Chief Financial Officer, the Council has calculated the amount of 17,602.15 as its Council Tax base for the financial year 2022/23 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.</b></p> <p><b>B. It be noted that the Council Tax requirement for the Council's own purposes for 2022/23 is £4,215,715.</b></p> <p><b>C. The following amounts be calculated by the Council for the year 2022/23 in accordance with sections 30 to 36 of the Local Government Finance Act 1992 (as amended):</b></p> <p style="padding-left: 40px;"><b>(i) £35,644,007 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.</b></p> <p style="padding-left: 40px;"><b>(ii) £31,428,292 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.</b></p> <p style="padding-left: 40px;"><b>(iii) £4,215,715 being the amount by which the aggregate at C(i) above exceeds the aggregate at C(ii) above, calculated by the Council, in accordance with section 31 A (4) of the Act, as its Council Tax Requirement for the year.</b></p> <p style="padding-left: 40px;"><b>(iv) £239.50 being the amount at C(iii) divided by the amount at A above, calculated by the Council, in accordance with section 3 B of the Act, as the basic amount of its Council Tax for the year.</b></p> <p><b>(v) Valuation Bands 2022/23</b></p>

Oadby and Wigston Borough Council			
A	B	C	D
£	£	£	£
159.67	186.28	212.89	239.50
E	F	G	H
£	£	£	£
292.72	345.94	399.17	479.00

**Being the amounts given by multiplying the amount at C(iv) above by the number which, in the proportion set out in section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with section 36(1) of the Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.**

- D. It is noted that for the year 2022/23, the Police and Crime Commissioner for Leicester/shire, and the Leicester/shire and Rutland Combined Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories shown below and that Leicestershire County Council have indicated that their provisional precept will be confirmed on 23 February 2022.**

**Precepting Authorities - Valuation Bands 2022/23**

Leicestershire County Council			
A	B	C	D
£	£	£	£
968.64	1,130.08	1,291.52	1,452.96
E	F	G	H
£	£	£	£
1,775.84	2,098.72	2,421.60	2,905.92

Police and Crime Commissioner for Leicester and Leicestershire			
A	B	C	D
£	£	£	£
172.15	200.85	229.54	258.23
E	F	G	H
£	£	£	£
315.61	373.00	430.38	516.46

Leicester, Leicestershire and Rutland Combined Fire Authority			
A	B	C	D
£	£	£	£
49.53	57.78	66.04	74.29
E	F	G	H
£	£	£	£
90.80	107.31	123.82	148.58

**E. That having calculated the aggregate in each case of the amounts at C(v) and D above, the Council, in accordance with section 30(2) of the Local Government Finance Act 1992, set the following amounts as the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings shown below.**

#### **Valuation Bands**

Total Amount Payable Oadby and Wigston Borough Council Residents			
A	B	C	D
£	£	£	£
1,349.99	1,574.99	1,799.99	2,024.98
E	F	G	H
£	£	£	£
2,474.97	2,924.97	3,374.97	4,049.96

<b>Responsible Strategic Director, Head of Service and Officer Contact(s):</b>	<p>Tracy Bingham (Strategic Director/ S151 Officer) (0116) 257 2681 <a href="mailto:tracy.bingham@oadby-wigston.gov.uk">tracy.bingham@oadby-wigston.gov.uk</a></p> <p>Comie Campbell (Head of Finance/ Deputy S151 Officer) (0116) 257 2713 <a href="mailto:Comie.Campbell@oadby-wigston.gov.uk">Comie.Campbell@oadby-wigston.gov.uk</a></p>
<b>Corporate Priorities:</b>	<p>Building, Protecting and Empowering Communities Growing the Borough Economically Providing Excellent Services</p>
<b>Vision and Values:</b>	<p>"A Strong Borough Together" (Vision) Innovation (V4)</p>
<b>Report Implications:-</b>	
Legal:	There are no implications arising from this report.
Financial:	The implications are set out in the report.
Corporate Risk Management:	<p>Decreasing Financial Resources (CR1) Effective Utilisation of Assets/Buildings (CR5) Regulatory Governance (CR6) Organisational/Transformational Change (CR8) Economy/Regeneration (CR9)</p>
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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	<a href="#">Local Government Finance Act 1992</a>
<b>Appendices:</b>	None

## 1. Introduction

- 1.1 Section 30 of the Local Government Finance Act 1992 requires the Council to set amounts of Council tax at taxpayer level for each category of dwelling (i.e. Council Tax Band) before 11 March in the preceding financial year. At the time of writing, the Police and Crime Commissioner for Leicestershire and Leicester and the Leicester, Leicestershire and Rutland

Combined Fire Authority had already set their Council Tax increases for 2022/23. Leicestershire County Council is due to agree its increase on 23 February 2022.

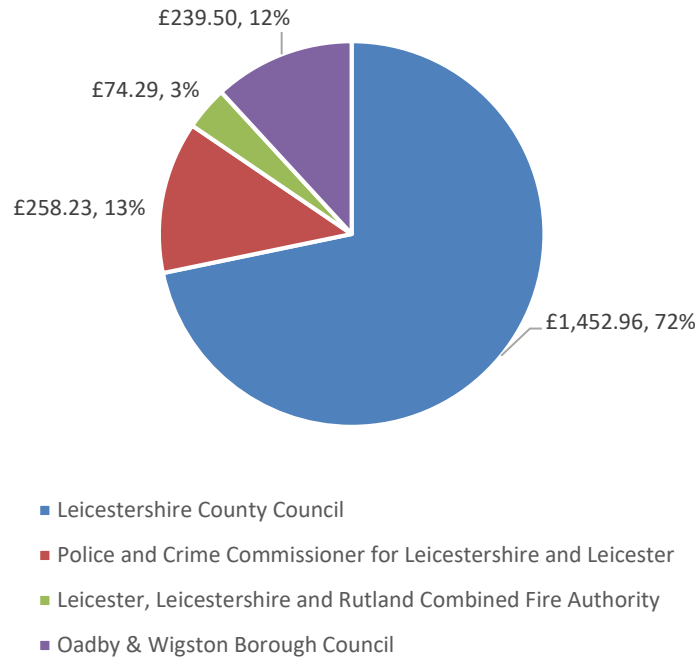
- 1.2 The increases (including the indicative increase for Leicestershire County Council) are as follows:

<b>Preceptor</b>	<b>% - Increase</b>
Leicestershire County Council (Provisional)	2.99%
Police and Crime Commissioner for Leicestershire and Leicester	4.03%
Leicester, Leicestershire and Rutland Combined Fire Authority	7.22%

- 1.3 The Secretary of State for Housing, Communities and Local Government has made an offer to "Adult Social Care Authorities" which are local authorities that have functions under Part 1 of the Care Act 2014, namely County Councils in England, District Councils for an area in England for which there is no County Council, London Borough Councils, the Common Council of the City of London and the Council of the Isles of Scilly.
- 1.4 The offer is the option of an adult social care authority being able to charge an additional "precept" on its Council tax for financial years from the financial year beginning in 2016 without holding a referendum, to assist the authority in meeting expenditure on adult social care. Subject to the annual approval of the Commons, the Secretary of State intends to offer the option of charging this "precept" at an appropriate level in each financial year up to and including the financial year 2022-23.
- 1.5 Leicestershire County Council has provisionally set a 1% adult social care levy in 2022/23. Their final decision will be reported to Council verbally by the Chief Financial Officer before Members are asked to vote on the recommendations above.
- 1.6 In total, the average Council Tax (Band D) for 2022/23 (assuming that Leicestershire County Council confirms its proposed precepts) will be 3.17%, comprising:

<b>Preceptor</b>	<b>Band D Council Tax</b>	<b>% - Increase</b>
Leicestershire County Council	£1,452.96	2.99%
Police and Crime Commissioner for Leicestershire and Leicester	£258.23	4.03%
Leicester, Leicestershire and Rutland Combined Fire Authority	£74.29	7.22%
Oadby & Wigston Borough Council	£239.50	2.13%
<b>Total</b>	<b>£2,024.98</b>	<b>3.17%</b>

### Band D Council Tax 2022/23 Percentage Splits



- 1.7 Under section 65 of the Local Government Finance Act 1992, the Council is required to consult Non-Domestic Ratepayers within the area of the Borough on proposed revenue and capital expenditure for the financial year 2022/23.
- 1.8 Although the information contained in this report is accurate at the time of writing, not all the major precept bodies had formally approved their Council Tax. Should there be any changes to the figures in this report, Members will be informed verbally at the meeting.



<b>Full Council</b>	<b>Thursday, 24 February 2022</b>	<b>Matter for Information and Decision</b>
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**Report Title:** **Budget and Medium Term Financial Plan (2022/23)**

**Report Author(s):** **Comie Campbell (Head of Finance / Deputy S151 Officer)**

<b>Purpose of Report:</b>	The report details the Budget position for 2022/23 and the forecast Medium Term Financial Plan (MTFP) position.
<b>Report Summary:</b>	The report sets out the draft budget estimates for 2022/23, MTFP forecasts, and the 2022/23 Capital Programme with the proposed sources of funding.
<b>Recommendation(s):</b>	<p><b>A. That Council notes the S151 Officer's statement on the robustness of the budget and the adequacy of reserves as set out in Appendix 3.</b></p> <p><b>B. That Council approves the Revenue Budget 2022/23</b></p> <p><b>C. That Council approves the HRA budget for 2022/23 as detailed in Appendix 1.</b></p> <p><b>D. That Council approves the new Capital Schemes of the General Fund and HRA.</b></p> <p><b>E. That Council approves the Capital Strategy as detailed at Appendix 5.</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Tracy Bingham (Director / Section 151 Officer)  <a href="mailto:Tracy.Bingham@oadby-wigston.gov.uk">Tracy.Bingham@oadby-wigston.gov.uk</a></p> <p>Comie Campbell (Head of Finance / Deputy Section 151 Officer)            (0116) 257 2713  <a href="mailto:Comie.Campbell@oadby-wigston.gov.uk">Comie.Campbell@oadby-wigston.gov.uk</a></p>
<b>Corporate Objectives:</b>	<p>Building, Protecting and Empowering Communities</p> <p>Growing the Borough Economically</p> <p>Providing Excellent Services</p>
<b>Vision and Values:</b>	<p>"A Strong Borough Together" (Vision)</p> <p>Innovation (V4)</p>
<b>Report Implications:-</b>	
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.
Corporate Risk Management:	<p>Decreasing Financial Resources (CR1)</p> <p>Effective Utilisation of Assets/Buildings (CR5)</p>

	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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	<b>1.</b> HRA MTFS 2022/23 <b>2.</b> Capital Programme Schemes 2022/23 <b>3.</b> Robustness of Estimates & Adequacy of Reserves 2022/23 <b>4.</b> Flexible use of Capital Receipts Strategy 2022/23 <b>5.</b> Capital Strategy 2022/23

## **1. Introduction**

- 1.1 This 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 The Final local government Settlement has now been announced and has indicated some additional grant funding 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
	£	£	£	£	£	£
<b>Net Service Costs</b>	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	0	0	0	0	0
General Reserves	0	0	0	0	0	0
<b>Total Budget Requirement</b>	<b>6,501,824</b>	<b>6,407,591</b>	<b>6,774,212</b>	<b>7,069,572</b>	<b>7,294,022</b>	<b>7,472,424</b>
<b>Funded By:</b>						
Retained Business Rates	-2,120,801	-1,911,955	-2,154,067	-2,250,065	-2,359,013	-2,486,306
Business Rates prior year (surplus)/deficit	2,178,713	184,449	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		-70,555	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
Earmarked Reserve Transfers	0	-125,272	0	0	0	0
<b>Total Funding</b>	<b>-6,501,824</b>	<b>-6,407,591</b>	<b>-6,438,381</b>	<b>-6,730,062</b>	<b>-6,974,498</b>	<b>-7,239,542</b>
<b>Gap – Increase/In-year</b>	<b>0</b>	<b>0</b>	<b>335,831</b>	<b>3,679</b>	<b>-19,987</b>	<b>-86,642</b>
<b>Gap – Cumulative</b>	<b>0</b>	<b>0</b>	<b>335,831</b>	<b>339,510</b>	<b>319,524</b>	<b>232,882</b>

- 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, the Council recognises 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 £125,272 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 £244,327 for 2022/23 was reported to PFD (Policy Finance and Development) Committee on 1st February 2022. Since that time we have updated our estimates to show the latest position. The budget gap has now reduced to £125,272 which is an improvement of £119,055. Consequently, the cumulative gap to 2026/27 has reduced from £764,800 to £232,882 over this period. These updates are listed below:

*Summary of Budget changes since February 2022 PFD Committee:*

Base Budget 2022/23	Movement £	Budget Gap £
<b>Budget Gap as at PFD Committee 1 Feb 2022</b>		244,327
Change in Business Rates forecast from 2022/23 NNDR1	-117,682	126,645
Final Settlement - Lower Tier Support Grant now £70,555 was provisionally £69,182	-1,373	125,272
Budget Gap funded from Earmarked Reserves	-125,272	0
<b>Budget Gap as at Full Council 24 Feb 2022 = £0</b>		0

- 5.2. For 2022/23 the budget summary shows the Authority is intending to close the residual gap by using Earmarked reserves which have been repurposed.

## 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 Equivalents, 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  $17,602.1 \times £239.5 = £4,215,703$ . 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
<b>Council Tax Income Estimate 2022/23</b>	<b>4,215,703</b>

## 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.

Business Rates Retention Provisional Estimates – as at January 2022

<b>Business Rates Retention Provisional Funding Estimates</b>	<b>2022/23 Provisional Estimates £</b>
Share of Business Rates Yield	4,711,009
Rates yield from renewable energy	8,446
Tariff to Government	-3,761,260
Levy Payment	-165,861
S31 Grant funding for Reliefs	1,119,621
Cost of Collection Grant	54,712
<b>Net Retained Business Rates Funding</b>	<b>1,966,667</b>

- 7.2. 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 £5.072m which comprises of £3.830m HRA and £1.242m 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:

- a) 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;
- b) Energy efficient technologies at the Brocks Hill 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;
- c) 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.
- d) Works to be done to the pathway at Fludes Lane £0.020m has been added to the new proposed capital schemes budget, as was discussed and approved for inclusion in the budget at PFD 1 1 February 2022.

**Table 1**

New Proposed Capital Schemes	Total 2022/23
Fund	£000's
Housing Revenue Account	3,830
General Fund	1,242
<b>Total Programme</b>	<b>5,072</b>

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)	2,672
Usable Capital Receipts	400
Usable 1 4 1 Capital Receipts	500
Major Repairs Reserve	1,500
<b>Total</b>	<b>5,072</b>

**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**

<b>Fund</b>	<b>Revised Budget 2021/22</b>	<b>New Schemes 2022/23</b>	<b>Capital Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Fund</b>	4,610	1,242	5,852
<b>Housing Revenue Account</b>	2,449	3,830	6,279
<b>Total</b>	<b>7,059</b>	<b>5,072</b>	<b>12,111</b>

## 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 £0.125m.
- 9.4. General Fund Reserves Summary Table:

<b>Type of Reserve</b>	<b>1 April 2021 Openin g Balance £000s</b>	<b>Used to close budget/in-year variance £000s</b>	<b>1 April 2022 Estimated Balance £000s</b>
General Fund	1,348	-337	1,011
Earmarked Reserves	949	-125	824
<b>Total Usable Revenue Reserves</b>	<b>2,297</b>	<b>-462</b>	<b>1,835</b>
Capital Reserves	665	-400	265
Capital Grants Unapplied	24	0	24
<b>Total Usable Capital Reserves</b>	<b>689</b>	<b>-400</b>	<b>289</b>
Ringfenced - Covid 19; Disabled Facilities and S31 Monies	4,205	-4,182	23
<b>Total General Fund Reserves</b>	<b>7,191</b>	<b>-5,044</b>	<b>2,147</b>

- 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 £1.010m in April 2022. Clearly, for future years, the Council must seek to address the budget gap through the delivery of 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 The Council has not previously used this flexibility but it is now felt that it would be appropriate with some eligible projects currently being working on. The Council has therefore produced a draft Strategy as attached at **Appendix 4**. Information will be brought back 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 there is a significant budget gap to address in future years. By 2025/26 this gap is forecast to increase to £319k. In relation to the forecast expenditure budget of £7.294m this is 4.4%.
- 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, ongoing savings and/or ongoing new income streams must be found.
- 12.3 The Council has 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. There are a number of proposals currently being looked at and there is confidence 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. The Council has 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 The Council has also produced a Capital Strategy which is included at Appendix 5 which details the approach to Treasury Management, Investments and the Capital Programme.

## **13 Conclusion**

- 13.1 The Council has a budget gap forecast in future years and will need to improve its financial position in order to remain financially resilient. The Council must seek to replenish its reserves and must ensure that new income streams are prioritised and brought forward as soon as possible, following appropriate due diligence.
- 13.2 The Council does have some promising projects which have been proposed by budget holders/managers and there is a need to focus attention on medium term resilience, rather than limiting 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 This Council is, 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 effective planning 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
<b>EXPENDITURE</b>						
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
<b>Gross Expenditure</b>	<b>4,370</b>	<b>4,591</b>	<b>4,700</b>	<b>4,793</b>	<b>4,888</b>	<b>4,985</b>
<b>INCOME</b>						
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)
<b>Gross Income</b>	<b>(5,086)</b>	<b>(5,082)</b>	<b>(5,275)</b>	<b>(5,407)</b>	<b>(5,542)</b>	<b>(5,681)</b>
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
<b>Total Capital Charges and Appropriations</b>	<b>716</b>	<b>565</b>	<b>625</b>	<b>625</b>	<b>625</b>	<b>625</b>
<b>(Surplus)/Deficit for the Year</b>	<b>0</b>	<b>74</b>	<b>50</b>	<b>11</b>	<b>(29)</b>	<b>(70)</b>
<b>Opening Balances</b>						
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)
<b>Closing Balances</b>						
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	80.32	83.61	85.70	87.85	90.04

## **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

	<b>2021/22 Current Charge £</b>	<b>2022/23 Proposed Charge £</b>
<b><u>Garage Spaces</u></b>		
48 Week Basis	4.23	4.41
52 Week Basis	3.91	4.07
<b><u>Lock up Garages</u></b>		
48 Week Basis	7.82	8.14
52 Week Basis	7.22	7.51
<b><u>Caretaking Charge (Lower Rate)</u></b>		
48 Week Basis	3.37	3.51
52 Week Basis	3.11	3.23
<b><u>Caretaking Charge (Higher Rate)</u></b>		
48 Week Basis	6.75	7.03
52 Week Basis	6.23	6.49
<b><u>Heating and Hot Water Charges in Sheltered Schemes</u></b>		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 lay out 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 is based. 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 legislation 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 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 been 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%
	<b>18,114,000</b>	<b>100%</b>

However, at the end of 2020 as new rules regarding PWLB were introduced to restrict its use while lowering rates once again for those Councils 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 Governments '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**

<b>Fund</b>	<b>Revised Budget 2021/22</b>	<b>New Capital Schemes 2022/23</b>	<b>Total</b>
	£'000	£'000	£'000
<b>General Fund</b>	4,610	1,242	5,852
<b>Housing Revenue Account</b>	2,449	3,830	6,279
<b>Total</b>	<b>7,059</b>	<b>5,072</b>	<b>12,131</b>

## APPENDIX 2 - OADBY AND WIGSTON BOROUGH COUNCIL NEW CAPITAL SCHEME PROPOSALS - CAPITAL PROGRAMME 2022/23

Project Code Reference	Scheme	2022-23 New Capital Scheme Proposals	2022-23 Total Budget	Comments
		£	£	
	<b>Total Funding Available</b>			
	<b>Housing Revenue Account</b>			
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>
	<b>Total - HRA</b>	<b>3,830,000</b>	<b>3,830,000</b>	
	<b>General Fund</b>			
	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	<p>To refurbish vehicles to extend the life by 2 – 3 years rather than investment in total new vehicles</p> <p>This relates to both refuse and recycling wagons and also sweepers and lorries</p> <p>This is for the initial outlay of 1 vehicle only with an ongoing project of vehicle refurbs of the following years rather than the purchase of new vehicles</p>
	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&amp;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	<p>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.</p> <p>This will enhance and improve team cohesion, the effectiveness or corporate messaging and the feeling of working for a council rather than in isolated teams.</p> <p>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.</p>
	Provision of Energy Efficiency Technologies at Brocks Hill	200,000	200,000	<p>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.</p>
	Laptop Renewal 2024	74,000	74,000	<p>Description of the project (to include sufficient information to serve as the committee narrative)</p> <p>Allocate £74,000 every year for 3 years to secure funding for a 2024 hardware renewal.</p> <p>This would be a complete replacement for a desk worth of equipment for each user.</p> <p>This would coincide with the end of the warranty period for our current equipment.</p> <p>Any remaining old equipment will be recycled with a possible financial rebate back to the council.</p>
	Miscellaneous Equipment and New Starters	20,000	20,000	<p>New starter equipment requirements which is outside of the current scope of people we currently support.</p> <p>This also includes some replacement budget for equipment which is broken or lost by the userbase.</p>
~ Page 33 ~	Oadby Depot – new carpet and addressing floor issues	10,000	10,000	<p>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.</p>
	Peace Memorial Park Bowls Green- replace steps to bowling green	5,000	5,000	<p>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.</p>
	Fludes Lane	20,000	20,000	<p>The current path has a Millwaste/Breedon gravel surface with wooden edging. There is encroaching vegetation at the edges making it narrow in places. There are areas where the path dips, following the natural contours of the land which leads to ponding of water following heavy downpours. The main parts of the path (if cleared) are around 1.8m to 2m wide. Rotting leaf litter is prevalent on the surface due to the nature of the area it runs through so when damp or at certain times of the year it can look unkempt, although this is in keeping with the area it runs through in terms of rustic and naturalised. Overall the path is worn and tired in paces and these sections would benefit from having the vegetation cleared back, built up (or rebuilt) with a new surface (millwaste/Breedon gravel) and new edgings added.</p>
	Total - General Fund	1,241,500	1,241,500	
	PLANNED EXPENDITURE GRAND TOTAL	5,071,500	5,071,500	

# 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	1,011
Earmarked Reserves	824
<b>Total Usable Revenue Reserves</b>	<b>1,835</b>
Capital Reserves	265
Capital Grants Unapplied	24
<b>Total Usable Capital Reserves</b>	<b>289</b>
Ringfenced - Covid 19; Disabled Facilities and S31 Monies	23
<b>Total General Fund Reserves</b>	<b>2,147</b>

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 becoming 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 Flexible use of Capital Receipts Strategy**

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

#### **7. Potential Projects to be Funded by the Flexible Use of Capital Receipts**

Currently there is a proposal for a £400k Transformation project in the 2022/23 Capital Programme budget funded by capital receipts. This is where the use of flexible capital receipts is to be used subject to government legislation continuing beyond March 2022 with the provision of applying capital receipts for this purpose. The Council would need to review its capital programme and revenue funding requirements later in the year if the government legislation for flexible use of capital receipts does not get extended beyond March 2022.

##### **7.1 Transformation**

**Estimated Revenue to be funded:** approx. £200k to approx. £300k

**Reasons for Application of Flexibility:** To fund the revenue project, moving, IT transformation costs by the Council relocating to Brock Hill. This also includes funding revenue costs that assist in achieving further income streams or cost efficiencies by moving to Brock Hill.

**Savings and Reduced Costs:** By the Council moving to Brock Hill it will generate on going maintenance and energy efficiency savings. The Council would be able to reduce its costs by generating additional income by selling excess electricity generated by the Wind turbine not used back to the electricity national grid suppliers.

## **7.2 Invest to Save**

The Council has included a Invest to Save £350k budget within the 2022/23 capital programme for the purpose of resourcing capital expenditure to aid the implementation of income generating schemes. There will also be a revenue requirement to fund approved income generation schemes. The proposal is to fund the revenue expenditure from the flexible use of capital receipts.

**Estimated Revenue to be funded:** between £100k to approx. £200k.

The overall use of flexible capital receipts for Transformation activities and assisting with Invest to Save opportunities would have to remain within the £400k Transformation budget limit. This budget would fund either revenue or capital expenditure where appropriate.

**Savings and Reduced Costs:** Funding would help the council achieve its objective to transforming its services it provides and reduce overall costs by generating additional income. This would enable saving efficiencies to be achieved.

## 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](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*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget *</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
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
<b>TOTAL</b>	2.149	4.406	8.226	2.500	2.500

*\*These figures are provisional*

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*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
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
<b>TOTAL</b>	<b>2.149</b>	<b>4.406</b>	<b>8.826</b>	<b>2.500</b>	<b>2.500</b>

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*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
Capital resources	0.000	0.000	0.000	0.000	0.000



Revenue resources	0.805	0.851	0.505	0.614	0.661
<b>TOTAL</b>	<b>0.805</b>	<b>0.851</b>	<b>0.505</b>	<b>0.614</b>	<b>0.661</b>

- 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*

	<b>31.3.2021 actual</b>	<b>31.3.2022 forecast</b>	<b>31.3.2023 budget *</b>	<b>31.3.2024 budget</b>	<b>31.3.2025 budget</b>
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
<b>TOTAL CFR</b>	<b>37.107</b>	<b>38.386</b>	<b>43.001</b>	<b>43.386</b>	<b>43.725</b>

**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*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
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
<b>TOTAL</b>	<b>0.158</b>	<b>0.4000</b>	<b>1.600</b>	<b>0.400</b>	<b>0.400</b>

- 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*

	<b>31.3.2021 actual</b>	<b>31.3.2022 forecast</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>	<b>31.3.2025 budget</b>
GF and HRA Debt (incl. PFI & leases)	34.751	33.161	38.069	38.974	39.877
Capital Financing Requirement	<b>37.107</b>	<b>38.386</b>	<b>43.001</b>	<b>43.386</b>	<b>43.725</b>

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*

	<b>2021/22 limit</b>	<b>2022/23 limit</b>	<b>2023/24 limit</b>	<b>2024/25 limit</b>
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*

	<b>31.3.2021 actual</b>	<b>31.3.2022 forecast</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>	<b>31.3.2025 budget</b>
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
<b>TOTAL</b>	<b>5.000</b>	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*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
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 12



**Full Council**

**Thursday, 24  
February 2022**

**Matter for  
Information and  
Decision**

**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)**

<b>Purpose of Report:</b>	<p>This report outlines the expected treasury operations and sets out the treasury management and prudential indicators for the forthcoming financial year. It fulfils the key requirements of the:</p> <ul style="list-style-type: none"> <li>• Local Government Act 2003;</li> <li>• The CIPFA Code of Practice for Treasury Management in Public Services;</li> <li>• DHLUC Investment Guidance;</li> <li>• The CIPFA Prudential Code for Finance in Local Authorities; and</li> <li>• The requirement for a policy for the annual Minimum Revenue Provision.</li> </ul>
<b>Report Summary:</b>	The report contains the Treasury Management Policy, Council's Prudential indicators, Treasury Strategy and Plan, Investment Strategy for 2022/23.
<b>Recommendation(s):</b>	<p><b>A. That the Treasury Management Policy (as set out in Appendix 1) be approved;</b></p> <p><b>B. That the Prudential Indicators for 2022/23 (as set out in Appendix 2) be approved;</b></p> <p><b>C. That the Treasury Strategy and Plan 2022/23 (as set out in Appendix 3) be approved; and</b></p> <p><b>D. That the Investment Strategy 2022/23 (as set out in Appendix 4) be approved;</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Tracy Bingham (Director/Section 151 Officer)  <a href="mailto:tracy.bingham@oadby-wigston.gov.uk">tracy.bingham@oadby-wigston.gov.uk</a></p> <p>Comie Campbell (Head of Finance/Deputy Section 151 Officer)            (0116) 257 2713  <a href="mailto:comie.cambell@oadby-wigston.gov.uk">comie.cambell@oadby-wigston.gov.uk</a></p> <p>Rashpal Sohal (Finance Manager)            (0116) 257 2705  <a href="mailto:rashpal.sohal@oadby-wigston.gov.uk">rashpal.sohal@oadby-wigston.gov.uk</a></p>
<b>Corporate Objectives:</b>	Providing Excellent Services (CO3)
<b>Vision and Values:</b>	<p>"A Stronger Borough Together" (Vision)</p> <p>Accountability (V1)</p> <p>Innovation (V4)</p>
<b>Report Implications:-</b>	

Legal:	There are no implications arising from this report.
Financial:	Interest earned on balances and interest paid on external debt impact on the resources available to the Council. The prudential indicators provide a framework for ensuring the Council's capital plans are affordable, prudent and sustainable.
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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	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 2003 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 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.

March 2021

## **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.

### **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 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	<b>4,406</b>	<b>8,226</b>	<b>2,500</b>	<b>2,500</b>

## 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
<b>Capital Expenditure *</b>				
Unsupported Spend	4,406	8,226	2,500	2,500
<b>Total Spend</b>	<b>4,406</b>	<b>8,226</b>	<b>2,500</b>	<b>2,500</b>
<b>Financed By:</b>				
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
<b>Total Financing</b>	<b>4,406</b>	<b>8,226</b>	<b>2,500</b>	<b>2,500</b>
<b>Capital Financing Requirement</b>				
CFR – General Fund	18,011	20,797	21,182	21,521
CFR – HRA	20,375	22,204	22,204	22,204
<b>Total CFR</b>	<b>38,386</b>	<b>43,001</b>	<b>43,386</b>	<b>43,725</b>

**\*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 <sup>st</sup> 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 Projection 2023/24	Forward Projection 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
<b>Total</b>	<b>1.07</b>	<b>1.49</b>	<b>1.91</b>

### 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 Projection 2023/24	Forward Projection 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
<b>Total</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>

### 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
<b>Net Debts</b>	33,161	38,069	38,974	39,877
<b>CFR</b>	<b>38,386</b>	<b>43,001</b>	<b>43,386</b>	<b>43,725</b>

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.

### **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 Actual		Rate %	31st March 2022 Actual		Rate %
		GF £ 000s	HRA £ 000s		GF £ 000s	HRA £ 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	
<b>Total</b>		<b>14,150</b>	<b>20,601</b>		<b>12,066</b>	<b>21,095</b>	
Fixed Investments		5,000	0		0	0	
Variable Investments		0	0		0	0	
<b>Total Investments</b>		<b>5,000</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>Net Borrowing</b>		<b>9,150</b>	<b>20,601</b>		<b>12,066</b>	<b>21,095</b>	

## **5.0 Borrowing and Debt Strategy**

### **General Fund**

As at 31<sup>st</sup> 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.

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

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
<b>Total</b>	<b>38,000</b>	<b>43,000</b>	<b>44,000</b>	<b>45,000</b>

## 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	2021/22	2022/23	2023/24
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 30<sup>th</sup> 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%.***

### **INVESTMENTS STRATEGY 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 place 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**

<b>Restrictions</b>	
<b>Max Amount £m</b>	1.5
<b>Duration</b>	364 days
<b>Asset Base (Building Societies Only)</b>	£6 bn

**Category 2**

<b>Restrictions</b>	
<b>Max Amount £m</b>	1
<b>Duration</b>	364 days
<b>Asset Base (Building Societies Only)</b>	£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**

<b>Restrictions</b>	
<b>Max Amount £m</b>	N/A
<b>Duration</b>	6 months

Operated by a National Government Department

### **Public Authorities in England, Scotland and Wales**

<b>Restrictions</b>	
<b>Max Amount £m</b>	5
<b>Duration</b>	3 Years

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

### **Money Market Funds**

<b>Restrictions</b>	
<b>Max Amount £m</b>	1.5
<b>Duration</b>	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).



**Full Council**

**Thursday, 24  
February 2022**

**Matter for  
Information and  
Decision**

**Report Title:**

**Pay Policy Statement (2022/23)**

**Report Author(s):**

**Anne Court (Chief Executive / Head of Paid Service)**

<b>Purpose of Report:</b>	The Localism Act 2011 ("the 2011 Act") requires every local authority to produce and publish a Pay Policy Statement ("the Statement") for each financial year from 2012/13. This report sets out the Council's proposed Pay Policy Statement for the coming financial year 2022/23.
<b>Report Summary:</b>	<p>Section 38 of the 2011 Act requires local authorities in England and Wales to produce a Pay Policy Statement for each financial year, which must be approved by Full Council.</p> <p>This statement sets out the Council's policies in relation to:</p> <ul style="list-style-type: none"> <li>a) The remuneration of its Chief Officers;</li> <li>b) The remuneration of its lowest-paid employees; and</li> <li>c) The relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.</li> </ul> <p>For the purposes of this statement, remuneration includes basic salary, bonuses and other allowances or entitlements related to employment.</p> <p>The Council is required to publish the Pay Policy Statement for 2022/2023 on or before 1st April 2022.</p>
<b>Recommendation(s):</b>	<p><b>A. That Council approves the Pay Policy Statement for 2022/23 (as set out at Appendix 1);</b></p> <p><b>B. That Council notes that, once agreement at national level is reached, the pay structure incorporating the National Joint Council (NJC) 2021/22 pay award will be brought back to Council for approval; and</b></p> <p><b>C. That Council approves the continued commitment to paying the Real Living Wage for 2022/23.</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Anne Court (Chief Executive / Head of Paid Service) (0116) 257 2602 <a href="mailto:anne.court1@oadby-wigston.gov.uk">anne.court1@oadby-wigston.gov.uk</a></p>
<b>Corporate Objectives:</b>	Providing Excellent Services (CO3)
<b>Vision and Values:</b>	<p>"A Stronger Borough Together" (Vision)</p> <p>Accountability (V1)</p> <p>Respect (V2)</p>
<b>Report Implications:-</b>	
<b>Legal:</b>	There are no implications directly arising from this report.

Financial:	The implications are as set out in the report.
Corporate Risk Management:	Reputation Damage (CR4) Decreasing Financial Resources / Increasing Financial Pressures (CR1)
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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	As the author, the report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	<ul style="list-style-type: none"> <li>• <a href="#">Equality Act 2010</a></li> <li>• <a href="#">Localism Act 2011</a></li> <li>• <a href="#">Accounts and Audits (England) Regulations 2011</a></li> <li>• <a href="#">Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act' Guidance</a></li> </ul>
<b>Appendices:</b>	<ol style="list-style-type: none"> <li>1. Pay Policy Statement (2022/23)</li> <li>2. Senior Leadership Team (SLT) Organisation Chart</li> </ol>

## 1. Background

- 1.1 The Council is required to publish a Pay Policy Statement for 2022/23 on or before 1 April 2022. The Statement for 2022/23 is attached at **Appendix 1**.
- 1.2 The 2021/22 pay structure remains in place at the time of writing this report, although a final pay award offer has been made to the Trade Unions which is yet to be accepted. Future revisions to the current pay structure will incorporate retrospective payments once implemented.

## 2. 2021/22 Pay Award

- 2.1 The National Joint Council (NJC) have made a final offer on the pay award for 2021/22 as follows:
  - With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
  - With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above.
- 2.2 For Oadby & Wigston Borough Council this means that the locally agreed pay spines will need to be reviewed, should the offer be accepted by the trade unions nationally. Currently Unite, Unison and GMB are entering into ballots with their members advising them to reject the offer. The initial trade union request was for a 10% pay increase across the board. A

final offer of 1.5% was also made in respect of Chief Officers and Chief Executives. This has very recently been accepted.

- 2.3 Full Council will be advised of the revised pay structure, incorporating the NJC pay award once agreement between the national employers and trade unions has been reached.
- 2.4 The Real Living Wage (RLW) which the Council is committed to paying increased in November 2021 to £9.90 per hour and is to be implemented at the latest by 9 May 2022. This is being reflected in the salaries of those employees affected.
- 2.5 The Local Government Transparency Code 2015 requires publications of posts with salaries over £58,200. The Accounts and Audits (England) Regulations 2011 require posts with salaries over £50,000 to be published in the annual accounts.
- 2.6 If approved by Council, the Statement will take immediate effect, superseding the 2021/22 Statement, and will be published on the Council's website.

# Appendix 1

## OADBY AND WIGSTON BOROUGH COUNCIL

### PAY POLICY STATEMENT (2022/2023)

#### 1. Introduction

- 1.1 Oadby and Wigston Borough Council recognise that remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public. However, in the context of managing scarce public resources with ever decreasing funds and further spending cuts to be made, such remuneration needs to avoid being unnecessarily generous or otherwise excessive.
- 1.2 It is important that local authorities are able to determine their own pay structures in order to address local priorities and to compete in the local labour market.
- 1.3 In particular, it is recognised that senior management roles in local government are complex and diverse functions in a highly politicised environment where often national and local pressures conflict. The Council's ability to continue to attract and retain high calibre leaders capable of delivering this complex agenda, particularly during times of financial challenge, is crucial if the Council is to retain its current high performance levels.

#### 2. Legislation

- 2.1 Section 38 of the Localism Act 2011 requires local authorities to produce a Pay Policy Statement for each financial year thereafter, by the 31 March.
- 2.2 In determining the pay and remuneration of all employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010, The Fixed Term Employment (Prevention of Less Favourable Treatment) Regulations 2002, and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 2.3 With regard to the equal pay requirements contained within the Equality Act 2010, the Council ensures there is no pay discrimination in its pay structures and that all pay differentials are objectively justified through the use of an equality-proofed job evaluation mechanism, which directly relates salaries to the requirements, demands and responsibilities of the role.
- 2.4 The Localism Act 2011 and supporting statutory guidance provides details of matters that must be included in this statutory pay policy but also emphasises that each local authority has the autonomy to take its own decisions on pay and pay policies.
- 2.5 The format of this policy statement was approved by Full Council in April 2012 and is subject to review in accordance with the relevant legislation prevailing at that time, currently annually.

#### 3. Scope

- 3.1. This Pay Policy Statement includes a policy on:-

The level and elements of remuneration for each Chief Officer;

(a) The remuneration of the lowest paid employees;

(b) The relationship between the remuneration of Chief Officers and other officers; and



- (c) Other specific aspects of Chief Officer remuneration, fees and charges and other discretionary payments.

3.2. Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and termination payments.

#### **4. Senior Pay**

4.1 In this policy the senior pay group covers posts in the top two tiers of the Council. These include the Chief Executive and the Strategic Directors.

4.2 The numbers in the above posts are as follows:-

- Chief Executive (1)
- Strategic Director and S151 Officer (1)
- Strategic Director (1) (currently vacant)

4.3 The policy for each group is as follows:-

#### **4.4 Chief Executive**

- (a) The Chief Executive's pay is a locally agreed and the Pay Grade currently in the following range:- C1 - 3 £97,020 to £106,773
- (b) This salary was approved by Full Council and no additional bonus, performance, honoraria or ex gratia payments have been made.
- (c) Salary is subject to annual cost of living increases agreed by Joint Negotiating Committee for Chief Officers (JNC) for Local Authority Chief Executives national conditions.

#### **4.5 Strategic Directors**

- (a) The Strategic Director posts have been evaluated externally and independently under the HAY Job Evaluation Scheme and the pay grade for these posts is currently D1-4 £82,977 to £87,855.
- (b) These salaries were approved by Full Council and no additional bonus, performance, honoraria or ex gratia payments have been made.
- (c) Salaries are subject to annual cost of living increases agreed by the Joint Negotiating Committee for Chief (JNC) for Local Authority Services.

#### **4.6 Heads of Service**

- (a) The Heads of Service posts have been evaluated using the Greater London Provincial Council Job Evaluation Scheme and the Management Levels 1-4 were agreed locally and are currently within the following range:- Heads of Service Management Levels 1 – 4 £51,719 to £72,441
- (b) Salary is subject to annual cost of living increases agreed by the National Joint Committee (NJC) for Local Authority Services.

#### **4.7 Electoral fees**

Fees are paid for Returning Officer duties with regards to fulfilling Election duties. This does not form part of the post holder's substantive role and these fees are payable as required and can be made to any senior officer appointed to fulfil the statutory duties of this role. The Returning Officer is an Officer of the Borough Council who is appointed under the Representation of the People Act 1983. The role of the Returning Officer involves and incurs personal responsibility and accountability and is statutorily separate from duties as an employee of the Borough Council, hence the additional remuneration which is paid. As Returning Officer, the employee is paid a separate allowance for each election for which they are responsible.

#### **5. Lowest paid employees**

- 5.1. The National Living Wage to be paid from 1st April 2022 is £9.50 (2021 - £8.91) per hour and the age threshold sits at 23 years. Below age 23 years, The National Minimum Wage applies on a sliding age band scale. The rates to be paid from April 2022 are:-
- 21-22 yrs - £9.18 (2021- £8.36)
  - 18-20 yrs - £6.83 (2021- £6.56)
  - Under 18 - £4.81 (2021- 4.62)
- 5.2 There are different rates that apply for those employees classed as an apprentice these rates are set out below. It is compulsory that employers pay the National Living Wage and national Minimum Wage to employees.
- 5.3 However on 15 March 2013, Councillors resolved to implement the Real Living Wage. The Real Living Wage is distinct from the National Living Wage and National Minimum Wage and is calculated by the Centre for Research in Social Policy which is an independent third party. The Centre for Research in Social Policy focuses on the wage rate that is necessary to provide workers and their families with a basic but acceptable standard of living. The minimum standard of living is socially defined and is often intrinsically linked to other social goals such as the fulfilment of care responsibilities. Any increase to the Real Living Wage is announced on an annual basis in November each year the Real Living Wage rate for November 2021 onwards was set at £9. 90 per hour.
- 5.4 The lowest pay band within the council is Band 1 Scale Points 1 – 3. The pay scale points 1 & 2 were previously amended to reflect the 2020 real living wage increase in the pay scale structure. Once agreement between the national employers and trade unions has been reached on a pay award for 2021/22, the relevant pay scale points will be amended to reflect the 2021 increase in the real living wage.
- 5.5 The Council also operates an apprenticeship programme that is designed to give young people the opportunity to gain a relevant qualification through study and on-the-job training. The training opportunities afforded to individuals through the apprenticeship programme are not directly comparable to other positions filled by employees within the Council. These apprentices are employed under the Government's National Minimum Wage legislation which from April 2022 will attract a flat rate of £4.81 per hour (2021- £4.30).

## **6. Pay Structure**

- 6.1. The pay structure for all employees except the Chief Executive, Strategic Directors and Heads of Service is established using NJC for Local Authorities Services National Pay Spine.
- 6.2. All posts bar those of the Chief Executive and the Strategic Director posts are evaluated using the Greater London Provincial Council Job Evaluation Scheme, which is recognised by employers and trades unions nationally. This Scheme allows for robust measurement against set criteria resulting in fair and objective evaluations and satisfies equal pay requirements. In some instances from time to time, the ability to recruit to certain posts is dictated by market forces.
- 6.3. Job evaluation has been carried out in partnership with Trade Unions and in consultation with employees at all levels across the Council. Every post on the establishment has been evaluated and ranked using the Greater London Provincial Council Scheme (Green Book employees) and Hay (Chief Officers and Chief Executive). Both schemes were approved at the Full Council meeting in December 2003.
- 6.4. Following the outcome of the rank order exercise, a new pay and grading structure was designed, agreed and adopted by Full Council on 23 February 2006. Full implementation was achieved in May 2006 and backdated to 1 April 2005. Thereafter all subsequent new or altered jobs have been evaluated by the same scheme.
- 6.5. Progression within the band for all staff is subject to satisfactory performance on 1st April each year, provided that the employee has completed a minimum of 6 months service when an increment is awarded up to the maximum of the band. If the employee has not completed 6 months service, the increment will be payable in the employee's 6th month with the Council subject to satisfactory performance.

## **7. Multipliers**

- 7.1 The current establishment has 183 FTE posts. Publishing the pay ratio of the organisation's top earner to that of its lowest paid earner and median earner has been recommended to support the principles of Fair Pay (Will Hutton, 2011) and transparency.
- 7.2 The Chief Executive's post is the highest paid post at the Council and is paid at £106,773 (1 FTE) per annum and is currently at the top of the pay scale. This is 4.3 times the average earnings in the Council which is £24,491. The Chief Executive's pay is 5.8 times the lowest pay which is £18,278 (this is with the previous increase to the real living wage at £9.50 per hour).

## **8. Payments/Charges and Contributions**

- 8.1 From 1st April 2014, there have been significant changes to the Local Government Pension Scheme.
- 8.2 All employees automatically become a member of the Local Government Pension Scheme, unless they exercise the opt-out clause. They will automatically be enrolled onto the "main scheme", where they meet the qualifying criteria.
- 8.3 The level of contribution payable by an employee in the "main scheme" will depend upon their actual salary received, rather than a full time equivalent. This means that part-time employees would only pay against their actual gross salary per annum and would not be

expected to pay the higher rate of their full time equivalent. The employee contributions range from 5.5% to 12.5 %.

- 8.4 As an alternative to the “main scheme”, employees have the option to enrol onto the “50/50 scheme”. If they opt to join the “50/50 scheme” then, rather than making the full contributions as set out above, they will only have to contribute one half of what they ordinarily would in the “main scheme”; however, the Council continues to pay a full contribution as though the employee were in the “main scheme”. This will obviously reduce the amount of contributions made by the employee to their pension which will have an effect on the overall value of the benefits due to them under the Local Government Pension Scheme (LGPS) when they retire. Members of the LGPS can switch between the main scheme and 50/50 scheme at any time and the appropriate form to do so can be obtained from the People Team.
- 8.5 Under the 2014 regulations of the LGPS, employees who meet the qualifying criteria will automatically be enrolled into the scheme and can only opt-out when they have become an active member. Employees, who elect to opt out of the scheme, must obtain a form to opt out directly from Leicestershire County Council (the scheme providers). The Council cannot opt any employees out of the scheme under the new ruling, nor can it provide the form to do so.
- 8.6 The Council makes employer's contributions into the scheme; the current rate is 19.4% of the whole time salary.
- 8.7 Employees who are not automatically enrolled onto the 2014 scheme because they did not meet the qualifying criteria can elect to join the People Team. The membership will be effective from the next payroll date.
- 8.8 Employees who had already opted-out of the scheme on or after the Council's staging date (1 April 2014) will automatically be enrolled under the 2014 ruling on 1 October 2017. This is the final date on which the Council is able to postpone auto enrolment. Once an employee has become an active member of the LGPS they can still choose to opt-out as per the process set out above. This auto-enrolment process will be repeated every three years.

## **9. Discretionary Payments**

- 9.1 The policy for the award of any discretionary payments is the same for all staff regardless of their pay level. The following arrangements apply: 'Redundancy payments under regulation 5 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006.'
- 9.2 The Council has based redundancy payment calculations on an unrestricted week's pay but using the statutory age and service related redundancy scale to determine the number of weeks to be used in the calculation. This is payable to employees made redundant with two or more years local government service.
- 9.3 Severance payments under regulation 6 Redundancy – The Council has not elected to pay any additional discretionary compensation in excess of the redundancy payment.
- 9.4 Regulation 18 of the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 – Requirements as to time of payment (Flexible Retirement) The Council had agreed to consider applying discretion when a scheme member who is over 55 reduces their hours and/or grade and wishes to receive their accrued pension benefits without having retired from employment. However, under the

changes to the Local Government Pension Scheme which came into effect from 1 April 2014, the employee will be advised that early retirement will have an adverse effect on their entitlement to benefits used under the Scheme, and such benefits will be significantly reduced. Under the 2014 Regulations, employees will only be entitled to full benefits under the LGPS when they have reached state pension age.

- 9.5 No additional membership for revision purposes under regulation 12 of the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 is awarded.
- 9.6 No additional pension under regulation 13 of the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 is awarded.

## **10. Decision Making**

- 10.1 Decisions on remuneration are made as follows:-

- Chief Executive Officer local pay level approved by Full Council;
- Pay structure for all other posts approved by Full Council.

## **11. Disclosure**

- 11.1 The Local Government Transparency Code 2015 requires publications of posts with salaries over £58,200. The Accounts and Audits (England) Regulations 2011 require posts with salaries over £50,000 to be published in the annual accounts. The Pay Policy Statement will be published on the Council's website.

- 11.2 The posts are as follows:-

- Chief Executive
- Strategic Director and S151 Officer Strategic Director (currently vacant)
- Head of Law and Democracy
- Head of the Built Environment
- Head of Customer Service and Transformation
- Head of Finance

## **12. Performance related pay**

- 12.1 There are no performance related pay schemes in place.

## **13. Equality and Diversity**

- 13.1 This Pay Policy Statement will assist the Council in monitoring remuneration across the Council and provide a fair system which avoids discrimination.

### **For further information please contact:-**

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## SENIOR LEADERSHIP TEAM

