



**AGENDA
for
MEETING OF
THE COUNCIL**

to be held on

Monday, 15th February, 2021

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Date: 5th February 2021

Our Ref: RB

To: All Members of the Borough Council

A MEETING OF THE COUNCIL will be held on **Monday, 15th February, 2021**
at 6.00 p.m.

All members of the Council are summoned to attend to determine the business as set out below.

Due to Government guidance on social-distancing and the Covid-19 virus this meeting will be held **VIRTUALLY AND LIVE STREAMED**.
Public and press can follow the decision making online at
www.nuneatonandbedworth.gov.uk/virtual-meeting.

Please note that meetings will be recorded for future broadcast.

AGENDA

1. **MEETING PROTOCOL**
To advise the meeting participants of the procedure that will be followed by the Members of the committee.
2. **APOLOGIES** - to receive apologies for absence from the meeting.
3. **MINUTES** - to confirm the minutes of the meeting held on 2nd December, 2020 (**Page 7**) and to confirm the minutes of the Extraordinary meeting held on 2nd December 2020, after the ordinary meeting (**Page 25**)
4. **DECLARATIONS OF INTEREST** - To receive declarations of disclosable pecuniary interests and other interests in matters under consideration pursuant to Council procedure Rule 4A.2(iii).

Declaring interests at meetings

If there is any item of business to be discussed at the meeting in which you have a disclosable pecuniary interest or non-pecuniary interest (Other Interests), you must declare the interest appropriately at the start of the meeting or as soon as you become aware that you have an interest.

Arrangements have been made for interests that are declared regularly by members to be appended to the agenda (**Page 34**). Any interest noted in the Schedule at the back of the agenda papers will be deemed to have been

declared and will be minuted as such by the Committee Services Officer. As a general rule, there will, therefore, be no need for those Members to declare those interests as set out in the schedule.

There are, however, TWO EXCEPTIONS to the general rule:

1. When the interest amounts to a Disclosable Pecuniary Interest that is engaged in connection with any item on the agenda and the member feels that the interest is such that they must leave the room. Prior to leaving the room, the member must inform the meeting that they are doing so, to ensure that it is recorded in the minutes.

2. Where a dispensation has been granted to vote and/or speak on an item where there is a Disclosable Pecuniary Interest, but it is not referred to in the Schedule (where for example, the dispensation was granted by the Monitoring Officer immediately prior to the meeting). The existence and nature of the dispensation needs to be recorded in the minutes and will, therefore, have to be disclosed at an appropriate time to the meeting.

Note: Following the adoption of the new Code of Conduct, Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the relevant item (or as soon as the interest becomes apparent). If that interest is a Disclosable Pecuniary or a Deemed Disclosable Pecuniary Interest, the Member must withdraw from the room.

Where a Member has a Disclosable Pecuniary Interest but has received a dispensation from Audit and Standards Committee, that Member may vote and/or speak on the matter (as the case may be) and must disclose the existence of the dispensation and any restrictions placed on it at the time the interest is declared.

Where a Member has a Deemed Disclosable Interest as defined in the Code of Conduct, the Member may address the meeting as a member of the public as set out in the Code.

Note: Council Procedure Rules require Members with Disclosable Pecuniary Interests to withdraw from the meeting unless a dispensation allows them to remain to vote and/or speak on the business giving rise to the interest.

Where a Member has a Deemed Disclosable Interest, the Council's Code of Conduct permits public speaking on the item, after which the Member is required by Council Procedure Rules to withdraw from the meeting.

5. ANNOUNCEMENTS - to receive announcements from the Mayor, Leader, Members of the Cabinet or the Executive Director.
6. PUBLIC PARTICIPATION - (maximum 20 minutes). Public participation will be by written submissions or orally through invitation to the meeting either via the internet, or by telephone, utilising MS Teams. Public participation will be arranged by Committee Services.

Members of the public wishing to ask a question or a statement must submit this electronically by emailing brent.davis@nuneatonandbedworth.gov.uk and a copy to member.services@nuneatonandbedworth.gov.uk by no later than 12 noon on the working day before the date of the meeting. All written and oral questions/statements should take no longer than 3 minutes to present. If you are submitting a statement to be read out this will be by an officer of the Council. **Council Procedure Rule 9 is attached (Page 40)** This is not subject to debate.

7. SPECIAL URGENCY DECISIONS - (Access to Information Procedure Rule 4B.16)

The following special urgency decisions have been taken since the last Council meeting:

- a) Future High Streets Fund (FHSF)

To enable the Council to comply with the requirements of the FHSF programme and qualify for the provisional allocation of circa £13M to support the generation of Nuneaton Town Centre.

- b) COVID Business Grant Schemes

To update Cabinet on progress with administering COVID Business Grant Schemes for those businesses mandated to close all severely impacted by the COVID-19 pandemic and the recent national and local restrictions.

8. CABINET – report by Leader of the Council **(To follow)**
Members may ask questions on the report and receive answers from the Leader or other Cabinet members, and this is not subject to debate.
9. ELECTION OF MAYOR AND DEPUTY MAJOR – to give consideration to the selection of Mayor and Deputy Mayor for 2021/22.
10. MEMBERSHIP OF THE EXTERNAL OVERVIEW AND SCRUTINY PANEL – to give consideration to the change of membership for 2021/22, report attached **(Page 41)**

11. RECOMMENDATIONS FROM CABINET OR OTHER COMMITTEES

a) General Fund Budget and Capital Programme 2021/22

The Council will be asked to consider recommendations from Cabinet held on Wednesday 10th February, 2021 on the General Fund Budget and Capital Programme 2021/22. Copy of report attached (**Page 43**)

b) Housing Revenue Account Budget and Capital Programme 2021/22

The Council will be asked to consider recommendations from Cabinet held on Wednesday 10th February, 2021 on the Housing Revenue Account Budget and Capital Programme 2021/22. Copy of report attached (**Page 80**)

c) Council Tax 2021/22 – following consideration of the above item the Council is required to determine the Council Tax for 2021/22. Resolution attached (**To follow**)

d) Treasury Strategy and Budgetary Framework 2021/22

The Council will be asked to consider recommendations from Cabinet held on Wednesday, 10th February, 2021 on the Treasury Strategy and Budgetary Framework 2021/22. Copy of the report attached (**Page 102**)

12. QUESTIONS BY MEMBERS - (Council Procedure Rule 10). A copy of Procedure Rule 10 is attached. (**Page 150**) and this is not subject to debate.

NOTE: Points of Order and Personal Explanation can only be raised in accordance with Council Procedure Rules which are set out below:-

Point of order

A Member may raise a point of order at any time. The Mayor will hear them at the end of the speech of the Member speaking at the time the point is raised. A point of order may only relate to an alleged breach of these Council Rules of Procedure or the law. The Member must indicate the rule of law and the way in which he/she considers it has been broken. The Mayor shall consider the Point of Order and, if necessary, take advice on the matter from the Monitoring Officer and, shall then rule on the Point of Order raised. There shall be no discussion or challenge to the advice given or the Mayors decision in the meeting. If a Member persistently seeks to raise a Point of Order but is unable to identify the procedure rule or legal principle infringed then, after having being warned by the Mayor, any further abuse of this procedure rule shall not be tolerated and the Mayor shall move that the Member not be heard further pursuant to Procedure Rule 4.19.13. The ruling of the Mayor on the matter will be final.

Personal explanation

A Member may make a point of personal explanation at any time. The Mayor will hear them at the end of the speech of the Member speaking at the time the point is raised. A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood in the present debate. The ruling of the Mayor on the admissibility of a personal explanation will be final.

NUNEATON AND BEDWORTH BOROUGH COUNCIL**COUNCIL****2nd December 2020**

The meeting of the Nuneaton and Bedworth Borough Council was held on Wednesday, 2nd December 2020. Due to government guidance during the COVID-19 pandemic this meeting was held virtually at various remote locations and live streamed.

Present

The Mayor (Councillor J. Tandy)
The Deputy Mayor (Councillor W.J. Hancox)

Councillors J.B Beaumont, K. Brindley-Edwards, D. Brown, S. Croft, G. Daffern, S. Doughty, P.M. Elliott, K. Evans, D. Gissane J. Glass, C. Golby, S. Gran, J. Gutteridge, L. Hocking, J.A. Jackson, K.A. Kondakor, A. Llewellyn-Nash, I.K. Lloyd, B. Longden, B. Pandher, N.J.P. Phillips, G.D. Pomfrett, M. Rudkin, A. Sargeant, J. Sargeant, J. Sheppard, T. Sheppard, R. Smith, R. Tromans, H. Walmsley, C. Watkins and K.D. Wilson.

CL21 **Minutes**

RESOLVED that the minutes of the meeting held on 16th September 2020 and the continuation meeting held on 5th October, were approved and signed by the Mayor with an amendment to reflect Councillor Llewellyn-Nash's votes being noted on all items.

CL22 **Declarations of Interests**

RESOLVED that the Declarations of Interests for this meeting are as set out in the schedule attached to these minutes with the amendments requested by Councillors Phillips and J. Sheppard.

CL23 **Announcements**

The Mayor requested a minutes silence as a sign of respect for those no longer with us due to the ongoing COVID-19 pandemic.

CL24 **Public Participation****Question/Statement 1**

Mr Sam Margrave submitted the following question to the Leader of the Council:

Please can the Leader, Cabinet member or appropriate officer of the Council tell us tonight; and publish online, which Councillors no longer reside in this Borough or are not currently on the electoral roll or not eligible to be local government electors for the Borough of Nuneaton and Bedworth ; and when those Councillors moved out of Nuneaton, Bedworth or Bulkington or ceased to be currently on, or not eligible to be on the electoral roll, and the qualification for eligibility criteria that all Councillors currently are on the electoral roll under?

Councillor Julie Jackson, Leader of the Council responded:

The answer is: no we can't. This is for a number of reasons:

Publication of the electoral roll is strictly controlled by law. It is open to inspection but cannot be reproduced online. Importantly, it is unlawful to be able to search the register by name, as it is a property based register.

The consent to nomination which is completed during the nomination process giving the reason to eligibility of a candidate is open for inspection at the close of nomination and up until the day before poll. After this time, nominations are not available for inspection and are destroyed 12 months later. This information is, therefore no longer available.

The only information the Council publishes is in connection with Members' declarations of interest, which can be viewed on the Council's website.

However, members can request, in certain circumstances, that their address be withheld. This would be, for example, there is a risk of harm or intimidation to the member or their family.

Question/Statement 2

Mr Lee Downs submitted the following question to the Leader of the Council:

Could the Council please inform me, how much money it wasted on seeking legal advice in banning Councillor Evans from speaking at the last Full Council after the Mayor wouldn't let him speak?

I believe the Council had to take legal advice from a QC after the meeting to determine whether it was legal for the Council to ban Councillor Evans from speaking, if this is the case could the council please state how much it cost?

Councillor Julie Jackson, Leader of the Council responded:

The question in relation to the lawfulness of the motion passed by full council to silence Cllr Evans from speaking further at the meeting on 16th September was raised by Councillor Evans himself , as a result it was deemed appropriate to seek independent legal advice from a barrister to support the advice given by officers of the Council alongside other issues that had arisen in that meeting. The barrister is not a QC but was suitably qualified and advises local authorities in such matters regularly. There was no separate fee sought for this advice specifically.

Question/Statement 3

Mrs Ann Brown submitted the following question to the Leader of the Council:

I recently read in an Audit and Standards Committee report that the Council decided to override the decision of a Full Council Budget meeting by increasing the menu at the Civic Hall Bistro, this was due to the Council receiving a petition. From my recollection the petition at the time was an online petition which the Council bans residents from using. Could I ask Cllr Ian Lloyd whether the petition submitted to the Councils regarding the Civic Hall Bistro was a petition submitted in accordance with the Councils Petition Scheme?

Councillor Ian Lloyd, Portfolio Holder for Arts & Leisure responded:

It is understood a hard copy petition was forwarded to the Managing Director as the nominated Petitions Officers in January 2018 and it was dealt with in accordance with the Borough Council's Petition Scheme as an "Ordinary Petition.

Question/Statement 4

Mrs Michele Kondakor submitted the following question to the Leader of the Council:

The rates of Covid Infection, particularly in North Warwickshire and Nuneaton and Bedworth, has led to the whole County being in Tier 3 restrictions. The Covid Recovery Plan that went to Cabinet made little reference to the current Second Wave or tackling any 'hot-spots' such as those recently seen in Bedworth. How, specifically, are the Borough Council working with the County Council to help those wards with high rates of Covid, to reduce the rates and get the Borough and County into tier 2, and hopefully quickly into Tier 1?

Councillor Julie Jackson, Leader of the Council responded:

The aim of the COVID Recovery Plan is to support all areas of the borough in recovering from the COVID-19 pandemic rather than dealing with the response to the second wave. For that, we are working closely with Warwickshire County Councils Public Health Team, as the statutory body, and have an Incident Management Team in place which meets weekly. This team reviews current case data and trends, and agrees actions to take forward to help reduce the case rates in the borough. This includes a wide range of communications being sent to our residents on a regular basis. Most recently we have sent targeted text messages to thousands of residents to highlight the increase in cases in their area and encourage them to follow the government guidelines closely. We have also written a joint letter to all schools and have worked with schools and local businesses in particular hot spots to display posters with COVID awareness messages. We are now working with Public Health to implement targeted community testing, which will run alongside drive-through and walk-in tests sites, both of which currently operate from borough council buildings. All of this of course still relies on our residents following the latest government guidelines and tier 3 restrictions to reduce our case numbers.

Question/Statement 5

Mr Jeff Langsbridge submitted the following question to the Portfolio-holder for Planning, Public Protection & Health, Councillor John Beaumont:

How very disappointed i was to hear that this councils planning committee's decision to refuse the application for North Warwickshire and Hinckley college had been overturned by the planning inspectorate.

Last year we were told with confidence by the ruling labour group that if we adopted a local plan , we would be able with ease stop big development, especially in green spaces outside of the plan until the current plan ends.

Big problems ahead one thinks given it is only just shy of 18 months into a plan that has 11 years to go. Given the current situation would it maybe a good idea too speed ahead with the " Review" of the local plan housing targets as promised by a previous full council vote. It could be said that the current worrying situation is like going back in time to [2015](#) when the then portfolio holder for planning and ex councillor Danny Aldington claimed that not having a plan in place left the planning committee "POWERLESS" regards major developments.

There seems no point to residents in actually having the current inflated numbers within the plan, if the council cannot maintain a five year land supply, which, could you tell me, currently stands at ?

Councillor John Beaumont, Portfolio Holder for Planning, Development & Health responded:

The Council's current 5 year land supply position stands at 5.135 years. This position was challenged at the North Warwickshire and Hinckley College planning appeal and the planning inspector did not determine to change the position.

With respect to the adopted Borough Plan the housing figures identified in the Plan are a minimum. The requirement for the figures to be a minimum was inserted by the Borough Inspector and is commonplace in Local Plans across the country.

With respect to a Borough Plan Review the Council have committed to undertaking this, and the first round of consultation is scheduled for May 2021. Under planning legislation there are statutory steps the Council must follow to ensure that the Plan can be found sound. These steps will, in part, determine the speed at which a review can be undertaken. In addition the Council are keen to ensure suitable public involvement is incorporated in the review, which again will have a bearing on the timescales for completing the review.

Question/Statement 6

Mr Carl Mayer submitted the following statement to the Leader of the Council:

Given that the ruling Labour group have not listened to one single resident of this borough regards the local plan since its existence, its ever likely the brains behind the plan have all gone, it could be alleged that they could see what the future would bring. It's really time for the borough plan committee

that thus far has been as much use as a chocolate tea pot to step up to the plate and review immediately and stops dragging its feet, especially given the stern work done by local campaigner on exposing ONS miscalculated figures on housing targets for the area, i'm pretty sure some of you would have read it in the Guardian.

Many months ago this council voted to review its housing targets within its local plan, then after some waffle of excuses from the previous portfolio holder for planning we have ended up nowhere fast, currently i understand the reason for not reviewing, is that we are awaiting the results of a Government consultation, oddly this doesn't seem to affect other parts of council planning business which seem unaffected and roar on with gusto. During a recent single member for planning meeting the debate was laughable, with certain participants in the ruling labour group not understanding the difference between consultation proposals and the actual result that will occur when the Government white paper is adopted to law. The highlight of the debate was when councillor Glass after the usual rhetoric about the Tories and developers being involved in developers charter was told by an officer that under the current Government consultation proposals mechanism the housing targets would be far less than the one councillor Glass voted to adopt, given the duty to cooperate is proposed to be scrapped, this would instantly reduce this councils housing targets by 4020 dwellings. The review is needed as soon as possible for many reasons especially given the lack of progress with the adopted plan itself which seems to be becoming to big to handle, and with the recent loss of an appeal against development at the college in Hinckley road its seems to suggest that the very basic reasons we were told by the ruling group that we needed a plan has been lost after a mere 18 months and the developers with sites not within the plan are circling above the planning committee like vultures smelling the insecurity and powerlessness we were told by the portfolio holder for planning and the chair of the planning committee would be a thing of the past. It could be said that this plan has already run out of ideas regards functioning properly and that the five year land supply has fallen below its five year legal requirement?

Councillor John Beaumont, Portfolio Holder for Planning, Development & Health declined to respond.

Question/Statement 7

Mr Lubs Cvetvokic submitted the following statement to the Leader of the Council:

During the October half term holiday the Borough Council organised a scheme to provide meals and hampers for families who had children on free school meals. Why therefore were the only places you could get a hamper from based in Nuneaton, while in Bedworth there was only provision to pick up packed lunches? In Bulkington there was no provision for Packed lunches or hampers, depriving several dozen families of food they were entitled too. For a Bulkington based resident to go to Nuneaton for a Hamper would have cost £6.10 return bus fare. I and many others in our community found this

unacceptable that some of the most financially disadvantaged were not given easy access to an essential service.

Once again (and not for the first time) Bulkington has been forgotten by this Borough Council, this time to the detriment of children who had to go without food. I have written to the Council about this matter and received an acknowledgement of my complaint, but a month later I have heard nothing further. I would like the leader of the Council to assure me that Bulkington will NOT be overlooked during the Christmas holidays and that outlets will be found within the village that will supply lunches and hampers for the most vulnerable.

Furthermore, could I also once again ask that these sorts of schemes are not just publicised on the Borough Councils Social media, as many do not read or follow NBBC on Social media. Could you please take the time to write to schools or individuals making them aware that this help and support is available.

Councillor Julie Jackson, Leader of the Council responded:

The provision of Free School Meals is a County Council responsibility, but given the issues nationally and locally around the October half-term, the Council supported a local project in Nuneaton to be able to increase the amount of support they were able to give. We did approach similar projects in Bedworth but found that they were already adequately supported and did not need any further assistance. We did agree to promote the schemes that they were offering to encourage take-up. In terms of Christmas, the government has now provided a COVID Winter Grant Scheme which is to provide support for those families who would normally access a Free School Meal. This will be delivered by Warwickshire County Council so I'm not able to confirm whether there will be a scheme specifically in Bulkington or how the scheme will be promoted. However, we continue to work with our Voluntary and Community Sector locally to identify any gaps in support and how the borough council may be able to support them.

Question/Statement 8

Corinne from the Bulkington Residents Voice submitted the following statement to the Leader of the Council:

The Council assured residents of this Borough that once the Borough Plan was adopted that we would have a housing land supply which would take us over the 5-year threshold and would protect and safeguard the Borough from further approaches by developers. It seems that this is not the case as North Warwickshire College has now been given permission to build further houses which are outside the plan. Why is this Council intent on over developing this Borough. It feels like once again this Council has been dishonest and underhanded with the residents on this emotive matter.

It is now time to start the promised review of the Borough Plan as a matter of urgency. You did not get the Government guidance that you expected last month giving you the green light to build, build, build. Instead, we see

Coventry City Council come under pressure to review their numbers by both local Labour and Conservative MP's. Surely now is the time to admit that the plan you have put in place is not fit for purpose and the numbers it is based on are flawed and need to be urgently reviewed. It is time to cull at least 4,000 houses from the Borough Plan, starting with the Coventry allocation

Councillor John Beaumont, Portfolio Holder for Planning, Development & Health

With respect to the North Warwickshire and Hinckley College planning decision the Planning Committee refused permission. The applicant appealed the decision which is within their gift. While the Council defended its position the Planning Inspector decided to grant the permission.

With respect to the adopted Borough Plan the housing figures identified in the Plan are a minimum. The requirement for the figures to be a minimum was inserted by the Borough Inspector and is commonplace in Local Plans across the country.

With respect to a Borough Plan Review the Council have committed to undertaking this, and the first round of consultation is scheduled for May 2021.

CL25 Special Urgency Decisions

The Chair reported that the Executive Director – Operations and Executive Director - Resources had exercised their delegated authority, pursuant to Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 & the Openness of Local Government Bodies Regulations 2014, due to urgency, between 24th September 2020 and 12th October 2020 in order to continue the business of the Council and provide financial support to the community during the COVID-19 virus pandemic.

RESOLVED that the Special Urgency Decisions taken under delegated officer authority by the Executive Director – Operations, and Executive Director – Resources on 24th September 2020 and 12th October 2020, as detailed in the agenda, be noted.

CL26 Cabinet

The Leader of the Council submitted her report on behalf of Cabinet. The report highlighted matters considered at the Cabinet meetings held on the 14th October and 11th November 2020 and also details of reports from the West Midlands Combined Authority Board, which had a direct impact on NBBC, namely the Board meetings of 18th September and 13th November 2020.

Several questions were raised to which the Leader of the Council, or the appropriate Portfolio Holder, gave a response.

RESOLVED that the report be noted.

CL27 **Recommendations from Cabinet and Other Committees**

a) Report Of The Climate Change Emergency Working Party.

Councillor Watkins moved the recommendations of the report, seconded by Councillor Phillips.

A recorded vote was taken on the recommendations of the report

Abstain: Councillors K. Brindley-Edwards, D. Brown, S. Croft, K. Evans, D. Gissane, C. Golby, S. Gran, J. Gutteridge, A. Llewellyn-Nash, B. Pandher, R. Smith, R. Tromans, H. Walmsley, K. Wilson

For: Councillors J. Beaumont, G. Daffern, S. Doughty, P. Elliott, J. Glass, W.J. Hancox, L. Hocking, J. Jackson, I. Lloyd, B. Longden, N.J. Phillips, G. Pomfrett, M. Rudkin, A. Sargeant, J. Sargeant J. Sheppard, T. Sheppard, J. Tandy, C. Watkins

Against: Councillor K. Kondakor

The motion was approved.

Councillor Jackson moved that Councillor Watkins be nominated to attend the Warwickshire wide Climate Change Group as a representative of the Council. This was seconded by Councillor Hancox.

Councillor Evans proposed an amendment to the proposal, that Councillor Brown be nominated. This was seconded by Councillor Tromans.

A recorded vote was taken on the amendment.

For: Councillors K. Brindley-Edwards, D. Brown, S. Croft, K. Evans, D. Gissane, C. Golby, S. Gran, J. Gutteridge, K. Kondakor, A. Llewellyn-Nash, B. Pandher, R. Smith, R. Tromans, H. Walmsley, K. Wilson

Against: Councillors J. Beaumont, G. Daffern, S. Doughty, P. Elliott, J. Glass, W.J. Hancox, L. Hocking, J. Jackson, I. Lloyd, B. Longden, N.J. Phillips, G. Pomfrett, M. Rudkin, A. Sargeant, J. Sheppard, T. Sheppard, J. Tandy, C. Watkins

Abstain: Councillor J. Sargeant.

The amendment was lost.

A vote was taken on the motion.

Councillor Evans, Councillor Kondakor and Councillor A. Sargeant requested that their vote for the amendment be recorded in the minutes.

They are as follows:

Councillor Evans – Against.

Councillor Kondakor – Against.

Councillor A. Sargeant – For

The motion was carried.

RESOLVED that:

- a) the Action Plan drawn up by the Climate Change Working Group (attached as Appendix A of the report) be approved;
- b) and Councillor Watkins be nominated to attend the Warwickshire wide Climate Change Group supported by an appropriate officer.

b) Member Allowances – Appointment Of The Independent Remuneration Panel

A vote was taken on the motion. The motion was carried.

RESOLVED that

- a) Warwickshire & Solihull Community & Voluntary Action be asked to nominate a representative to the Independent Remuneration Panel; and
- b) the Constitution be amended accordingly.

c) Question Submitted by Councillor Evans To Audit & Standards Committee

Councillor Evans moved the following motion:

“This Council resolves to delete articles 4.19.3 and 4.19.4 from the Constitution with immediate effect”

Councillor Croft seconded the motion.

A recorded vote was taken.

For: Councillors K. Brindley-Edwards, D. Brown, S. Croft, K. Evans, D. Gissane, C. Golby, S. Gran, J. Gutteridge, K. Kondakor, A. Llewellyn-Nash, B. Pandher, A. Sargeant, J. Sargeant, R. Smith, R. Tromans, H. Walmsley, K. Wilson

Against: Councillors J. Beaumont, G. Daffern, S. Doughty, P. Elliott, J. Glass, W.J. Hancox, L. Hocking, J. Jackson, I. Lloyd, B. Longden, N.J.

Phillips, G. Pomfrett, M. Rudkin, J. Sheppard, T. Sheppard, J. Tandy, C. Watkins

Upon the Mayor using her casting vote the amendment was lost.

The motion was lost.

d) Treasury Management – Mid Year Review – 2020/21

Councillor Jackson moved to note the report.

Councillor Lloyd seconded the motion.

A vote was taken was Councillor Jackson's motion

The motion carried.

RESOLVED that

(a) the Treasury Management – Mid-Year Review – 2020/21 be noted;
and

(b) A message of thanks be sent to the Council's Finance Team and be put on record.

e) Licensing Act 2003 – Statement of Licensing Policy 2021

Councillor Hancox moved the recommendation from the Licensing Committee.

A vote was taken on the recommendation.

Councillor Evans requested his vote be recorded.

Councillor Evans - For

The motion was carried.

RESOLVED that the Statement of Licensing Policy be adopted.

CL28 **Questions by Members**

Question 1

Councillor Kyle Evans will ask the following question of the Portfolio Holder for Housing & Communities

In accordance with the Crime & Policing Act 2014, the Council can issue Community Protection Notices in order to deter anti-social behaviour across the Borough. Could the Portfolio Holder please inform me how many Community Protection Notices the Council has issued the 1st January 2020?"

Councillor Chris Watkins, Portfolio Holder for Housing & Communities responded:

The Council has not issued any Community Protection Notices since 1st January 2020, in relation to Anti-Social Behaviour. However, the Council has issues since January

- 63 warnings (advising the perpetrator to cease the unwanted behaviour)
- 23 notices (to seek possession of the property due to persistent ASB)
- 3 injunctions (to seek possession of properties due to ASB)

In partnership with the Police:

- 14 warnings (advising the perpetrator to cease the unwanted behaviour)
- 5 notices (CPN's – usually decided via the ASB Partnership meeting)

Question 2

Councillor Keith Kondakor asked the following question of the Leader of the Council Councillor Julie Jackson:

Over the last 4 years I have been reading the minutes of the Coventry and Warwickshire Local enterprise partnership board meetings and have been concerned by lack of recorded input from our borough council representative when they attend. We are not using the opportunity of a place on the LEP board strongly enough to get a more successful and sustainable borough. Now that LEP agendas are published before board meetings take place, can myself and a few members from other parties have an informal meeting with our representative ahead of each LEP board meeting to discuss items on the LEP board agenda?

Councillor Julie Jackson, Leader of the Council responded:

As always I am happy to speak with fellow Councillors. However I will not be arranging specific meetings before each LEP Board meeting

Question 3

Councillor Neil Phillips will ask the following question of the Portfolio Holder for Housing & Communities

With reference to the Cleaver Gardens area, where I know you have done a lot of work could you tell me if the WCC Councillor for the area has spent any of his delegated budget to help improve the area with you because I understand that he has been asking for improved parking facilities for the football areas to be marked out to stop people parking and emergency work to the highway.

Councillor Chris Watkins, Portfolio Holder for Housing & Communities responded:

Thank you for your question Councillor Phillips, since becoming Cabinet member for Housing and Communities in 2019 I have been very involved in all the work that we have been doing. When we started doing the slabs to tarmac work at Cleaver Gardens I went to take a look at the excellent work that was being done on not only the slabs to tarmac work but also the surround groundwork that was being done to compliment this work. I also noticed that the public footpaths, public roadway, drains and streetlighting was in a poor state of repair so I started to ask questions about this.

It would seem that the estate was applied for by NUNEATON BOROUGH COUNCIL to be built back in 1974-76 and was finished in 1978 and so all the roads, paths, drains and streetlights should have been taken over by WCC and maintained at public expense when it was finished some 42 years ago under THE HIGHWAYS ACT 1980. I asked officers to start conversations with WCC about this and asked for some information myself and we are now in talks with WCC about the adoption of Cleaver Gardens. I also found out that the Councillor for the area who keeps making demands of emergency work to be done, parking areas for football players and areas to be marked out for no parking has £130,266 in his delegated budget account which is for "HIGHWAYS IMPROVEMENTS" and so he could have and should have spent some of this money on improving the area along with all the work NBBC are doing.

To finish up Councillor Phillips, I am very proud of all of the work that NBBC staff do to improve the areas and lives of people in the Borough and by working with WCC in the future I hope that we can look at and solve many more problems rather than misleading people and not doing the work.

Mayor

Council - Schedule of Declarations of Interests – 2020/2021

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	General dispensations granted to all members under s.33 of the Localism Act 2011			Granted to all members of the Council in the areas of: <ul style="list-style-type: none"> - Housing matters - Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - An allowance, payment given to members - An indemnity given to members - Any ceremonial honour given to members - Setting council tax or a precept under the Local Government Finance Act 1992 - Planning and Licensing matters - Allotments - Local Enterprise Partnership
	J. Beaumont		Board member of Bulkington Community Library CIC in addition to an unpaid Manager of the library. Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Nuneaton and Bedworth Older People's Forum 	
	K. Brindley-Edwards	Teacher and Head of 6 th Form at Beauchamp College	Representative on the following Outside Body: <ul style="list-style-type: none"> • King Edward VI College Foundation - Trustee 	
	D. Brown	Employed by H.M Land Registry		
	S. Croft	Employed at Holland & Barrett Retail Ltd	Treasurer of the Conservative Association	
	G. Daffern	Teacher at Finham Park 2	Member of NEU Staff Governor – Finham Park 2, Local Governing Body.	
	S. Doughty	Cherville Limited	Unite the Union	
	P. Elliott	Employee of CW Mind's Autism Support Service	Governor at Stockingford Nursery Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Friendship Project for Children 	
	K. Evans	Employed by UK Parliament	Executive Officer at the North Warwickshire & Bedworth Conservative Association Association Representative of	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Warwickshire Conservative Area Association	
	J. Glass	None	None	
	D. Gissane	Self employed trading as Huxo Creative	Member of Warwickshire County Council	
	C. Golby		Member of Warwickshire County Council	
	S. Gran		Member of Warwickshire County Council	
	J. Gutteridge		Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Age UK (Warwickshire Branch) 	To speak and vote on any matters involving the Borough Plan related to land at Leyland Road Bulkington
	W.J. Hancox		Daughter holds employment position within NBBC Unite the Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Building Control Partnership Steering Group • Hammersley Smith & Orton Charity 	
	L. Hocking	Employed by Openreach	Member of: <ul style="list-style-type: none"> • Unite the Union • Communication Workers Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Committee of Management of Hartshill and Nuneaton Recreation Ground 	
	J.A. Jackson	Any matter relating to the employment policies and procedures of Nuneaton & Bedworth Borough Council or any matter relating to the contractual arrangements with Sport & Leisure Management Ltd.	Unite the Union <ul style="list-style-type: none"> • Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited • Director Coventry & Warwickshire Local Enterprise Partnership Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Coventry, Warwickshire & Hinckley and Bosworth Joint Committee • District Leaders • Local Government Association • Local Enterprise Partnership 	Dispensation to speak and vote on matters that do not relate specifically to her husband's contract of employment. Dispensation to speak and vote

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			<ul style="list-style-type: none"> • West Midlands Combined Authority • Member Liaison of both Transforming Nuneaton and Transforming Bedworth 	
	K.A. Kondakor		<p>Member of Warwickshire County Council</p> <p>100PERCENTRENEWABLEUK LTD</p>	
	A. Llewellyn-Nash	Employee of BMI Healthcare	<p>Treasurer of Exhall Multi-cultural Group</p> <p>Governor at Newdigate Primary and Nursery School, Bedworth</p>	
	I. Lloyd		Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited.	Dispensation to speak and vote
			<p>Representative on the following Outside Bodies:</p> <ul style="list-style-type: none"> • Nuneaton & Bedworth Sports Forum • Camp Hill Urban Village and Pride in Camp Hill • Poor's Piece Charity • Committee of Management of Hartshill & Nuneaton Recreation Group • Towns Board 	
	B.J. Longden		Daughter and son-in-law work in the NHS	
			Member of the Stockingford Community Centre	
			Ex-Officiate of the Veterans Contact Point Board	
			<p>Representative on the following Outside Bodies:</p> <ul style="list-style-type: none"> • George Eliot Hospital NHS Trust – Public/User Board • George Eliot Hospital NHS Foundation Trust Governors • Armed Forces Covenant Meeting • Astley Charity 	
	B. Pandher		<p>Member of Warwickshire County Council</p> <p>Treasurer & Trustee of Nanaksar Gurdwara Gursikh Temple;</p> <p>Coordinator of Council of Sikh Temples in Coventry;</p>	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Secretary of Coventry Indian Community; Trustee of Sikh Monument Trust Vice Chair Exhall Multicultural Group	
	G.D. Pomfrett	None	None	
	N. Phillips	Employee of DWP	Member of: <ul style="list-style-type: none"> • Nuneaton Labour CLP • The Fabian Society • The George Eliot Society • The PCS Union • Central Credit Union • Stockingford Sports and Allotment Club • Haunchwood Sports and Social Club 	
	M. Rudkin	Employee of Coventry City Council	Unite the Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Bedworth Neighbourhood Watch Committee 	
	A. Sargeant		Member of Warwickshire County Council Chairman of The Nook (Nuneaton) Residents Association. Chair of Attleborough Community Matters group. Chair of Attleborough Neighbourhood Watch Volunteer at Volunteer Friends Bulkington. Member of Nuneaton Carnival Committee Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Advice Rights 	
	J. Sargeant	Head of Retail – Life Charity	Board of Directors – Volunteer Friends, Bulkington	
	J. Sheppard		Partnership member of the Hill Top and Caldwell Big Local.	Dispensation to speak and vote on any matters of Borough Plan that relate to the Directorship of Wembrook Community Centre
			Director of Wembrook Community Centre.	
			Member of the Management Committee at the Mental Health Drop in.	
			Champion for Safeguarding	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			(Children & Adults) Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Local Government Superannuation Scheme Consultative Board • Warwickshire Direct Partnership • Warwickshire Waste Partnership • West Midland Employers • Nuneaton Neighbour Watch Committee 	
	T. Sheppard	Employee of Dairy Crest	Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Warwickshire Adult Social Care and Health Overview and Scrutiny Panel 	
	R. Smith		Chairman of Volunteer Friends, Bulkington; Board member of Bulkington Village Community and Conference Centre Trustee of Bulkington Sports and Social Club	
	J.A. Tandy		Partnership member of the Hill Top and Caldwell Big Local. Member of Unite the union. Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Nuneaton Festival of Arts • Warwickshire Race Equality Partnership • Warwickshire Race Equality Partnership • West Midlands Combined Authority Audit Group 	
	R. Tromans	Director of RTC Ltd		
	H. Walmsley	Chief of Staff to Julian Knight MP	Chartered Institute of Public Relations	Dispensation to speak and vote
	C.M. Watkins	Landlord of a privately rented property	Representative on the following outside bodies: <ul style="list-style-type: none"> • Nuneaton and Bedworth Home Improvement Agency. • Nuneaton and Bedworth Safer and Stronger Communities Partnership. • Safer Warwickshire Partnership Board. • Warwickshire Housing Support Partnership. 	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			<ul style="list-style-type: none"> • Warwickshire Police and Crime Panel. 	
	K.D. Wilson	Employee of the Courts Service	Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited	

NUNEATON AND BEDWORTH BOROUGH COUNCIL**COUNCIL****2nd December 2020**

An Extraordinary meeting of the Nuneaton and Bedworth Borough Council was held via Microsoft Teams, on Wednesday, 2nd December 2020.

PRESENT

The Mayor (Councillor J. Tandy)
The Deputy Mayor (Councillor W.J. Hancox)

Councillors J.B. Beaumont, K. Brindley-Edwards, D. Brown, S. Croft, G. Daffern, S. Doughty, P.M. Elliott, K. Evans, D. Gissane, J. Glass, C. Golby, S. Gran, J. Gutteridge, L. Hocking, J.A. Jackson, K.A. Kondakor, A. Llewellyn-Nash, I.K. Lloyd, B.J. Longden, B. Pandher, N.J.P. Phillips, G.D. Pomfrett, M. Rudkin, A. Sargeant, J. Sargeant, J. Sheppard, T. Sheppard, R. Smith, R. Tromans, H. Walmsley C. Watkins and K.D. Wilson.

CL29 Declaration of Interests

Councillor J. Sheppard highlighted that her dispensation to speak and vote on any matters related to the Directorship of Wembrook Community Centre was in the wrong place in the table;

Councillor Phillips requested that reference to “Non-Executive Director with Nuneaton and Bedworth Community Enterprises Limited” be removed from his ‘Other Personal Interests’;

Councillor Golby requested that IPT Administration Manager be removed from her ‘Disclosable Pecuniary Interest’; and

Councillor J. Sargeant informed Members that she is a member of the Senior Leadership Team for Life which has a business in Nuneaton town centre.

RESOLVED that the Declaration of Interests for this meeting are as set out in the schedule attached to these minutes, with the amendments above.

CL30 Notice of Motion – Additional Restriction Grant Policy Proposals

In accordance with Procedure Rule Part 4.3.1(d) of the Council’s Constitution, the Head of Paid Service requested the calling of an Extraordinary Meeting following a requisition from Councillors K. Wilson, C. Golby, D. Gissane, S. Gran, J. Gutteridge, K. Brindley-Edwards, R. Smith, K. Evans, B. Pandher, A. Llewellyn-Nash, S. Croft, A. Sargeant, J. Sargeant, D. Brown, R. Tromans and H. Walmsley to consider the following motion:

“We submit a request for an Extraordinary Meeting of the Full Council to be called to consider the following motion:

That Council requests that Cabinet amend the Additional Restrictions Grant policy to include the following proposals:

- a) That free car parking is provided in the town centres every day for the remainder of December and the month of January 2020 at a cost of £263k

- b) That a rent-free period for regular/invoiced market traders, and a period of 50% rent discount for casual/irregular market traders, be introduced for the month of December 2020, and that this scheme be tapered through the first two months of 2021, as detailed below, at a total cost of £55k
- a. December - regular traders 100% discount/casual traders 50% discount
 - b. January - regular traders 50% discount/casual traders 25% discount
 - c. February - regular traders 25% discount/casual traders 12.5% discount
- c) That a scheme for rent reduction (by application) be introduced for SME tenants of council properties in the town centres from December 2020 to February 2021. The reduction would be 50% for the month of December, 40% for January and 30% for February and would cost £62k in total.

The council also requests that the total cost of £380,000 for this proposal be funded from the grant allocated to the Council for awarding Additional Restrictions Grants.

Councillor K. Wilson proposed the motion and this was seconded by Councillor S. Croft.

Councillor J. Jackson proposed the following amendment:

"That Council requests Cabinet look again at the Additional Restrictions Grant Policy to see whether periods of free parking may be possible once we have emerged from tier 3"

Councillor I. Lloyd seconded the amendment.

A recorded vote was taken on the amendment, as follows:

For: Councillors J. Beaumont, G. Daffern, S. Doughty, P. Elliott, J. Glass, W.J. Hancox, L. Hocking, J. Jackson, I. Lloyd, B. Longden, N.J. Phillips, G. Pomfrett, M. Rudkin, , J. Sheppard, T. Sheppard, J. Tandy, C. Watkins

Against: Councillors K. Brindley-Edwards, D. Brown, S. Croft, K. Evans, D. Gissane, C. Golby, S. Gran, J. Gutteridge, K. Kondakor, A. Llewellyn-Nash, B. Pandher, A. Sargeant, J. Sargeant R. Smith, R. Tromans, H. Walmsley, K. Wilson

Upon the Mayor using her casting vote the amendment was carried.

A vote was taken was Councillor Jackson's motion.

Councillors K. Evans, C. Golby, J. Gutteridge, A. Llewellyn-Nash, R. Tromans, H. Walmsley, and K. Wilson requested that their vote be recorded in the minutes.

Councillor K. Evans; C. Golby; J. Gutteridge; A. Llewellyn-Nash; R. Tromans; H. Walmsley; & K. Wilson voted against the motion.

Upon the Mayor using her casting vote the amendment was carried.

The motion was carried.

RESOLVED That Council requests Cabinet look again at the Additional Restrictions Grant Policy to see whether periods of free parking may be possible once we have emerged from tier 3

(Mayor)

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	D. Brown	Employed by H.M Land Registry		
	S. Croft	Employed at Holland & Barrett Retail Ltd	Treasurer of the Conservative Association	
	G. Daffern	Teacher at Finham Park 2	Member of NEU Staff Governor – Finham Park 2, Local Governing Body.	
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	P. Elliott	Employee of CW Mind's Autism Support Service	Governor at Stockingford Nursery Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Friendship Project for Children 	
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	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Warwickshire Conservative Area Association	
	J. Glass	None	None	
	D. Gissane	Self employed trading as Huxo Creative	Member of Warwickshire County Council	
	C. Golby		Member of Warwickshire County Council	
	S. Gran		Member of Warwickshire County Council	
	J. Gutteridge		Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Age UK (Warwickshire Branch) 	To speak and vote on any matters involving the Borough Plan related to land at Leyland Road Bulkington
	W.J. Hancox		Daughter holds employment position within NBBC Unite the Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Building Control Partnership Steering Group • Hammersley Smith & Orton Charity 	
	L. Hocking	Employed by Openreach	Member of: <ul style="list-style-type: none"> • Unite the Union • Communication Workers Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Committee of Management of Hartshill and Nuneaton Recreation Ground 	
	J.A. Jackson	Any matter relating to the employment policies and procedures of Nuneaton & Bedworth Borough Council or any matter relating to the contractual arrangements with Sport & Leisure Management Ltd.	Unite the Union <ul style="list-style-type: none"> • Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited • Director Coventry & Warwickshire Local Enterprise Partnership Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Coventry, Warwickshire & Hinckley and Bosworth Joint Committee • District Leaders • Local Government Association • Local Enterprise Partnership 	Dispensation to speak and vote on matters that do not relate specifically to her husband's contract of employment. Dispensation to speak and vote

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	K.A. Kondakor		<p>Member of Warwickshire County Council</p> <p>100PERCENTRENEWABLEUK LTD</p>	
	A. Llewellyn-Nash	Employee of BMI Healthcare	<p>Treasurer of Exhall Multi-cultural Group</p> <p>Governor at Newdigate Primary and Nursery School, Bedworth</p>	
	I. Lloyd		Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited.	Dispensation to speak and vote
			<p>Representative on the following Outside Bodies:</p> <ul style="list-style-type: none"> • Nuneaton & Bedworth Sports Forum • Camp Hill Urban Village and Pride in Camp Hill • Poor's Piece Charity • Committee of Management of Hartshill & Nuneaton Recreation Group • Towns Board 	
	B.J. Longden		Daughter and son-in-law work in the NHS	
			Member of the Stockingford Community Centre	
			Ex-Officiate of the Veterans Contact Point Board	
			<p>Representative on the following Outside Bodies:</p> <ul style="list-style-type: none"> • George Eliot Hospital NHS Trust – Public/User Board • George Eliot Hospital NHS Foundation Trust Governors • Armed Forces Covenant Meeting • Astley Charity 	
	B. Pandher		<p>Member of Warwickshire County Council</p> <p>Treasurer & Trustee of Nanaksar Gurdwara Gursikh Temple;</p> <p>Coordinator of Council of Sikh Temples in Coventry;</p>	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Secretary of Coventry Indian Community; Trustee of Sikh Monument Trust Vice Chair Exhall Multicultural Group	
	G.D. Pomfrett	None	None	
	N. Phillips	Employee of DWP	Member of: <ul style="list-style-type: none"> Nuneaton Labour CLP The Fabian Society The George Eliot Society The PCS Union Central Credit Union Stockingford Sports and Allotment Club Haunchwood Sports and Social Club 	
	M. Rudkin	Employee of Coventry City Council	Unite the Union Representative on the following Outside Bodies: <ul style="list-style-type: none"> Bedworth Neighbourhood Watch Committee 	
	A. Sargeant		Member of Warwickshire County Council Chairman of The Nook (Nuneaton) Residents Association. Chair of Attleborough Community Matters group. Chair of Attleborough Neighbourhood Watch Volunteer at Volunteer Friends Bulkington. Member of Nuneaton Carnival Committee Representative on the following Outside Bodies: <ul style="list-style-type: none"> Advice Rights 	
	J. Sargeant	Head of Retail – Life Charity	Board of Directors – Volunteer Friends, Bulkington	
	J. Sheppard		Partnership member of the Hill Top and Caldwell Big Local.	Dispensation to speak and vote on any matters of Borough Plan that relate to the Directorship of Wembrook Community Centre
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	A. Sargeant		Member of Warwickshire County Council Chairman of The Nook (Nuneaton) Residents Association. Chair of Attleborough Community Matters group. Chair of Attleborough Neighbourhood Watch Volunteer at Volunteer Friends Bulkington. Member of Nuneaton Carnival Committee Representative on the following Outside Bodies: <ul style="list-style-type: none"> Advice Rights 	
	J. Sargeant	Head of Retail – Life Charity	Board of Directors – Volunteer Friends, Bulkington	
	J. Sheppard		Partnership member of the Hill Top and Caldwell Big Local.	Dispensation to speak and vote on any matters of Borough Plan that relate to the Directorship of Wembrook Community Centre
			Director of Wembrook Community Centre.	
			Member of the Management Committee at the Mental Health Drop in.	
			Champion for Safeguarding	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			(Children & Adults) Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Local Government Superannuation Scheme Consultative Board • Warwickshire Direct Partnership • Warwickshire Waste Partnership • West Midland Employers • Nuneaton Neighbour Watch Committee 	
	T. Sheppard	Employee of Dairy Crest	Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Warwickshire Adult Social Care and Health Overview and Scrutiny Panel 	
	R. Smith		Chairman of Volunteer Friends, Bulkington; Board member of Bulkington Village Community and Conference Centre Trustee of Bulkington Sports and Social Club	
	J.A. Tandy		Partnership member of the Hill Top and Caldwell Big Local. Member of Unite the union. Representative on the following Outside Bodies: <ul style="list-style-type: none"> • Nuneaton Festival of Arts • Warwickshire Race Equality Partnership • Warwickshire Race Equality Partnership • West Midlands Combined Authority Audit Group 	
	R. Tromans	Director of RTC Ltd		
	H. Walmsley	Chief of Staff to Julian Knight MP	Chartered Institute of Public Relations	Dispensation to speak and vote
	C.M. Watkins	Landlord of a privately rented property	Representative on the following outside bodies: <ul style="list-style-type: none"> • Nuneaton and Bedworth Home Improvement Agency. • Nuneaton and Bedworth Safer and Stronger Communities Partnership. • Safer Warwickshire Partnership Board. • Warwickshire Housing Support Partnership. 	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			<ul style="list-style-type: none"> • Warwickshire Police and Crime Panel. 	
	K.D. Wilson	Employee of the Courts Service	Non Executive Director with Nuneaton and Bedworth Community Enterprises Limited	

9. PUBLIC PARTICIPATION

9.1 General

At each ordinary meeting of the Council, [20] minutes (which can be extended at the discretion of the Mayor) shall be set aside for questions or statements from the public gallery by any resident of the borough in relation matters in respect of which to which the Council has powers or duties or which affect the Borough.

9.2 Notice of questions and statements

No such question shall be asked or statement made unless it shall have been delivered in writing to the Managing Director no later than 12 noon on the day before the meeting of the Council.

9.3 Scope of questions and statements

The Managing Director may reject a question or statement if it:

- is not about a matter for which the Council has a responsibility or which doesn't affect the borough;
- is defamatory, frivolous or offensive;
- is substantially the same as a question or statement which has been put at a meeting of the Council in the past six months; or
- requires or involves the disclosure of confidential or exempt information.

9.4 The Mayor will invite the relevant Cabinet Member or Committee Chair to give a reply. Such reply shall not exceed 5 minutes. In the case of a question, on the discretion of the Mayor, a supplementary question may be asked if arising directly from the reply, provided that the original allocation of 5 minutes is not exceeded. The Mayor may reject a supplementary question on any of the grounds detailed in paragraph 9.3 above.

9.5 Time Limit and Number of questions

No question or statement shall exceed 3 minutes. In the event of there being more than one question or statement, the Managing Director will draw lots to determine the order in which the questions shall be asked or statements made. At the expiry of the 20 minute period, or such period as may be agreed by the Mayor, or after the reply to the final question or statement, whichever shall first occur, the Council will proceed to the next business.

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Council

Date: 15th February 2021

From: Executive Director - Operations

Subject: Membership of External Overview and Scrutiny Panel

1. Purpose of Report

1.1 To propose a change in the membership of the External Overview and Scrutiny Panel.

2. Recommendation

2.1 That Councillor N.J. Phillips replace Councillor T. Sheppard on the External Overview and Scrutiny Panel and that the membership of the External Overview and Scrutiny Panel as set out at Appendix A be approved.

3. Background

3.1 The Executive Director – Operations, has received a request to change the membership of the External Overview and Scrutiny Panel by way of Councillor N.J. Phillips replacing Councillor T. Sheppard.

3.2 Amending the membership External Overview and Scrutiny Panel as set out above does not affect the political balance of the External Overview Panel or any other Committees and Panels of the Borough Council.

BRENT DAVIS

NEW PROPOSED EXTERNAL OVERVIEW SCRUTINY MEMBERSHIP PANEL

Councillor D. Brown
Councillor G. Daffern
Councillor C. Golby
Councillor D. Gissane
Councillor W. Hancox
Councillor L. Hocking
Councillor B. Longden (Chair)
Councillor B. Pandher
Councillor N. Phillips
Councillor M. Rudkin
Councillor J. Sargeant
Councillor J. Tandy
Councillor H. Walmsley (Vice-Chair)

Plus 2 co-opted members:

Ms I. Klabisz
Mr I. Sheikh

CABINET

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date:	10th February 2021
Subject:	General Fund Budget and Capital Programme – 2021/22
Portfolio:	Finance & Civic Affairs
From:	Executive Director – Resources

Summary:

The report presents the draft General Fund revenue budget and capital programme for 2021/22 for consideration and submission to Council for approval. A forecast outturn for 2020/21 is also included in the report.

Recommendations:

- 2.1 To note the forecast outturn for the General Fund revenue and capital budgets for 2020/21
- 2.2 That the revised Capital Programme for 2020/21 of £15.567m be recommended to Council for approval.
- 2.3 That the Council Tax requirement for 2021/22 is determined as £9,358,518, an increase of £5 on a Band D, in accordance with the Local Government Finance Act 1992.
- 2.4 To note the 2021/22 Business Rates forecast reported to the Department for Communities and Local Government and included in the draft budget.
- 2.5 That Cabinet consider any increases in Fees and Charges for 2021/22

- 2.6 That the General Fund revenue budget for 2021/22 be agreed and submitted to full Council for approval.
- 2.7 That the Capital Programme for 2021/22 of £37.928m be recommended to Council for approval
- 2.8 That delegated authority be given to the Executive Directors to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the capital programme for the General Fund.
- 2.9 Due to the timescales involved with setting the budget and council tax for 2021/22 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.

Options: To accept the report or request further information, having regard to the legal deadlines for setting the Council Tax

Reasons: The Council must set and maintain a balanced budget each year

Consultation undertaken with Members/Officers/Stakeholders

Portfolio Holders have been consulted on draft budgets.
Local business representatives were invited to participate in the consultation survey.

Subject to call-in: No

Ward relevance: All

Forward plan: Yes

Corporate Priorities: Theme 3: Priorities 1, 2 and 3

Relevant statutes or policy:

Local Government Act 2003

Local Government Finance Act 1992

<p>Equalities Implications:</p> <p>None</p>
<p>Human resources implications:</p> <p>Employee costs are a significant part of the general fund budget and the Management of Change policy will apply to any employees affected by budgetary decisions.</p>
<p>Financial implications:</p> <p>Included throughout the report.</p>
<p>Health Inequalities Implications:</p> <p>None</p>
<p>Section 17 Crime & Disorder Implications:</p> <p>None</p>
<p>Risk management implications:</p> <p>All budgetary decisions will need to be risk assessed to ensure they are achievable and to be fully aware of any implications.</p>
<p>Environmental implications:</p> <p>None</p>
<p>Legal implications:</p> <p>The Council must set a risk assessed balanced budget each year. In addition, the Cabinet must comply with the Budget & Policy Framework Procedure Rules set out in section 4C of the Council's Constitution.</p>
<p>Contact details:</p> <p>Simone Hines – Executive Director – Resources Simone.hines@nuneatonandbedworth.gov.uk Tel – 024 7637 6182</p>

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet – 10th February 2021

From: Executive Director – Resources

Subject: General Fund Budget and Capital Programme 2021/22

Portfolio: Finance and Civic Affairs (Councillor J Jackson)

Delivering Our Future Theme: 3

Delivering Our Future Priorities: 1, 2 and 3

1. Purpose of Report

1.1. To present the draft General Fund revenue budget for 2021/22 to Cabinet for any final amendments and approval.

1.2. To present the updated Capital Programme and financing for 2020/21 and 2021/22 for approval.

1.3. To update Cabinet on the Council's medium term financial position, taking into account the Spending Review 2020 and draft Local Government Finance Settlement for 2021/22

2. Recommendations

2.1 To note the forecast outturn for the General Fund revenue and capital budgets for 2020/21

2.2 That the revised Capital Programme for 2020/21 of £15.567m be recommended to Council for approval.

2.3 That the Council Tax requirement for 2021/22 is determined as £9,358,518, an increase of £5 on a Band D, in accordance with the Local Government Finance Act 1992.

2.4 To note the 2021/22 Business Rates forecast reported to the Department for Communities and Local Government and included in the draft budget.

2.5 That Cabinet consider any increases in Fees and Charges for 2021/22

2.6 That the General Fund revenue budget for 2021/22 be agreed and submitted to full Council for approval.

- 2.7 That the Capital Programme for 2021/22 of £38.568m be recommended to Council for approval
- 2.8 That delegated authority be given to the Executive Directors to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the Capital Programme for the General Fund.
- 2.9 Due to the timescales involved with setting the budget and council tax for 2021/22 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.

3 Forecast Outturn 2020/21 as at the end of December 2020 (Qtr 3)

- 3.1 The forecast outturn for the General Fund for the current year is a balanced position, with a contribution to reserves of £18k, in line with the original budget. However, there are some significant variances in the year, mostly due to COVID-19 and a summary of the forecast outturn and key variances is shown at Appendix A.
- 3.2 The COVID-19 pandemic has had and continues to have a significant and unprecedented impact on the Council's financial position. The latest forecast of spend pressures related to COVID-19 for 2020/21 is £1.8m, which is largely related to increased homelessness demand, purchase of PPE and increased leisure management costs. The Council's income streams have also been severely impacted, with the estimated loss of income for the year currently standing at £2.5m. There has been additional grant funding from the government to mitigate this impact and the Council is also able to claim for support under the Sales Fees and Charges scheme. A summary of COVID-19 impacts (actual and forecast to the end of March), and funding received is shown in the table below:

	£000
Expenditure Pressures:	
Homelessness (temporary accommodation and additional cleaning)	829
Subsidy impact due to COVID-19 delays in completion of Council House conversion works to Eaton House	200
Impact on Leisure Services	335
Other (i.e. PPE, bank charges, overtime, IT licences, re-opening costs)	468
Total Expenditure Pressures	1,832
Income Shortfalls:	
Car Parks (fee income, season tickets & fines)	1,216
Markets	256
Civic Hall (ticket income net of costs and bar)	247

	£000
Planning Fees	390
Licence Fees	65
Recoverable legal charges	77
Commercial/ Industrial property rents	113
Other Income (pitches, investment income, other fees and charges)	126
Total Income Pressures	2,490
Total Pressures	4,322
Additional Subsidy income re increased homelessness costs	(286)
Grant Funding	(3,784)
Shortfall	252

- 3.3 This demonstrates that the government funding received towards COVID pressures has not been sufficient to cover all costs and income losses. The Council has identified a number of other savings and contributions from reserves through the year and reported a number of these to Cabinet as part of the Quarter One budget monitoring review in September. These savings bring the forecast into a balanced position and also allows for a £50k transfer to earmarked reserves to provide a resilience reserve for any further COVID pressures in 2021/22, over and above those that have already been budgeted for.
- 3.4 The green waste service is performing better than the original budget. At the time of writing the report 23,678 properties had signed up for the scheme during 2020/21 for 24,508 bins, generating income of £980k.
- 3.5 A review of the Council's debt portfolio and cash flows has resulted in a deferral of taking new debt thereby generating an underspend on the budget for debt interest to offset COVID pressures.
- 3.6 There have also been vacancy savings across some sections, including Planning and Finance as the Council is experiencing some ongoing difficulty in recruiting, especially for those professional and technical posts.
4. Background to the budget setting process
- 4.1 The draft budget was initially reported to Cabinet in November 2020, which showed an initial deficit of £860k, after taking into account the spend and income pressures for 2021/22 and the estimated funding position, although at that time the Spending Review had not been announced. The key issue for the draft budget has been the longer-term impact of COVID-19 and assumptions have been made on key budget areas such as car parking and homelessness.
- 4.2 A number of savings options were also approved at Cabinet in November and the forecast deficit after those savings had been approved was £667k.

- 4.3 An updated draft budget position was reported to Cabinet in January, taking into account the Councils funding allocations from the provisional Local Government Funding Settlement and also updating assumptions about the long-term impact of COVID. Whilst the final settlement has not yet been announced, no significant changes from the provisional allocations are expected. The vote on the Final Settlement is expected to be take place in Parliament on the 10th February and a verbal update will be given at the meeting. The combined impact of additional funding and increased pressures from COVID was to reduce the budget gap from £667k in November to £200k in January. Further savings were also approved as part of this report, reducing the deficit to £54k.
- 4.4 Appendices B and C summarise the spend and income pressures and savings agreed in the November and January budget update reports.
- 4.5 Whilst the extra funding announced in the settlement was welcome, it should be noted that it is only one-off funding, largely to reflect COVID pressures, and is not expected to continue after 2021/22.

New Homes Bonus (NHB)

- 4.6 The New Homes Bonus allocations were announced at the same time as the settlement and the total grant the Council will receive in 2021/22 is £851k, based on housing growth of 526 between October 2019 and 2020. This is around half of the amount received in the current year due as only two years of legacy payments are now included. After taking into account the 0.4% baseline and increased empty homes (85), the net units for reward reduces to 441 of which 239 were affordable homes. It is important to note that:
- The overall allocation for each authority is based on the legacy payments for 2018/19 to 2019/20 plus the 2021/22 allocation;
 - As previously announced, the 2020/21 or 2021/22 “in year” allocations will not have future years legacy payments;
 - A fundamental review of New Homes Bonus will be undertaken early in 2021, and we are awaiting the release of a consultation on this. This was due to be released at the time of the provisional settlement but has been delayed.

Business Rates

- 4.7 Under Business Rates Retention (BRR), an estimate of the likely business rates income to be received the following year is made as part of the annual budget setting process. This forecast must be submitted to the government by the end of January and also to Warwickshire County Council. In estimating business rates income an assessment is made of any changes during the year from appeals, discretionary and mandatory reliefs, exemptions and collection rates. We are also required to forecast the business rates position for the current financial year and any surplus or deficit arising from that is carried forward into future financial years.

- 4.8 The COVID-19 pandemic has had a significant impact on business rates income and there is great uncertainty about the longer-term impact into 2021/22, and how quickly the economy may recover. In terms of collection, we are estimating to recover approx. 95% of the business rates due for 2020/21 compared to an average of 98% in previous years. This is after applying additional business rates reliefs for small businesses and those in the retail, hospitality and leisure sector amounting to over £11m. There was no extension to these reliefs announced as part of the Spending Review so this will increase the amount of business rates raised and due to be collected in 2021/22 but will also increase the likelihood of increased bad debts should ability to pay be affected as businesses recover from the economic impact of the pandemic
- 4.9 Nuneaton and Bedworth Borough Council will be a member of the Coventry and Warwickshire Business Rates Pool for 2021/22. This allows all member authorities to retain more growth by paying a lower levy (9.86% in 2021/22 compared to 50% without a pool). There are governance arrangements in place setting out how additional growth is to be split across the pool. At the time of writing the report the growth from the pool in 2021/22 had not been confirmed and no redistribution of growth back to partner councils has been included due to material uncertainties on appeals and bad debts. Any pool growth paid to councils will be contributed to the business rates volatility reserve to help fund future appeals or mitigate against the business rates reset in April 2022.
- 4.10 The retained income from business rates for 2021/22 is forecast to be marginally less than the current financial year due to an increase in bad debts and appeals. The total rateable value of businesses in the borough is stable compared to the previous year. However, there is also a collection fund deficit of £5.72m to be brought forward largely due to the additional retail reliefs that were granted after budgets were approved and therefore many businesses saw their NDR bills reduced to nil. This was reimbursed through Section 31 grants to councils in 2020/21 to ensure that there was no detrimental impact to councils on this government policy decision. Due to the timing difference of receipt of grant and accounting regulations for accounting for surplus or deficits on the collection fund this results in a timing mismatch. Therefore the Section 31 grant of £4.31m is to be contributed to an earmarked reserve in 2020/21 and withdrawn in 2021/22 to mitigate the deficit charge to the General Fund.
- 4.11 Government have also introduced a temporary amendment to the regulations to spread deficits over 3 financial years. The remaining deficit of £760k after the charge in 2021/22 will be charged to the General Fund in 2022/23 and 2023/24 at £380k per annum.
- 4.12 A summary of the total core funding for NBBC for 2021/22 compared to 2020/21 is shown below.

	2020/21 £'000	2021/22 £'000
Business Rates after levy payment *	14,708	14,126
Tariff (payable to MHCLG)	(9,414)	(9,414)
Net Retained Business Rates	5,294	4,712
New Homes Bonus	1,622	851
Total Core Funding	6,916	5,563
NDR Collection Fund Surplus / (Deficit)	120	(4,960)**
Council Tax Collection Fund Surplus/(Deficit)	151	(57)
Total Funding Before Council Tax	7,187	546

*includes specific grant to fund reliefs granted from central government policy

**due to timing difference in accounting for COVID business rate reliefs. This charge is mitigated by a £4.31m contribution from earmarked reserves as referred to in section 4.10.

- 4.13 In addition to the core funding shown above, there were also additional one-off grants announced in the settlement, shown in the table below. The Provisional Settlement also confirmed that the COVID Sales, Fees and Charges scheme would continue, which allows local authorities to claim 75% of any income shortfalls that are due to COVID-19, after a 5% disregard. Based on income estimates for 2021/22 we expect this grant to be in the region of £150k but this will vary depending on actual income losses at the end of June, so is not included in the table below.

One-off funding source	£'000
COVID Funding	762
Lower Tier Services Grant	361
Local Council Tax Support funding	194
Total	1,317

Council Tax Base and Collection Fund

- 4.14 The draft budget presented to Cabinet in November included a 1.99% increase in Council Tax. This increases a Band D charge by £4.75 to £243.41 and raises additional income of £180k. However, the provisional settlement confirmed that district councils could increase by £5 or 1.99%, whichever was higher. A £5 increase on a Band D for this Council equates to 2.1% and would increase income by £190k, £9k more than the draft budget had assumed. Over 80% of properties across Nuneaton and Bedworth are in Bands A-C so will see a lower increase. The annual increase for a Band A property will be approx. £3.33.

- 4.15 The Council is required to set both the Council tax base and the Collection Fund surplus or deficit in January each year. The Council Tax base is the overall number of properties that are estimated to be liable to pay Council Tax each year, after taking account of discounts and the collection rate. A surplus or deficit may arise each year if actual performance differs from that estimated. The updated draft budget now assumes that the £5 at Band D increase is approved, which would take the Council Tax Requirement to £9,358,518. This is based on a taxbase of 38,408.1, which is a slight decrease of 0.02% compared to 2020/21. This decrease is due to the increased take-up from Local Council Tax Support (LCTS) during the year which we are assuming will continue into 2021/22, although this will depend on how the COVID-19 pandemic progresses and the speed of any economic recovery. As at the end of December 2020 the number of customers claiming LCTS was 9,700, compared to 9,100 at the same point in 2019. The collection rate for 2021/22 has also been reduced slightly to 98%, again reflecting the impact of COVID-19. The increased premium payable by properties that have been empty for more than two years (approved by Cabinet in November) is included in the taxbase.
- 4.16 There is estimated to be a deficit on the Collection Fund of £990k which will be shared across all precepting authorities in proportion to their overall Council Tax proportions. The deficit has arisen due to the impact of COVID-19 this year, which has meant that the original budgeted assumptions for factors such as LCTS take-up and collection rates have shown variances. This Council's share of the deficit is £120k although the deficit that has arisen this year can be spread across the next three financial years which means that the actual deficit to be reflected in the General Fund for 2021/22 is £57k.
- 4.17 As part of the Spending Review 2020 and Local Government Finance Settlement, further one-off funding has been provided towards Collection Fund losses (both Council Tax and Business Rates) to reflect the volatility caused by COVID-19. Draft guidance has been released but further detail is required before we can calculate the grant that may be received as it is dependent on the actual performance of the Collection Fund by the end of 2020/21 compared to the budget position. Therefore, the draft budget does not include any of this potential funding and it is proposed that any funding received will be contributed to the COVID Resilience Reserve to mitigate any further Collection Fund losses.

Budget Consultation

- 4.18 Under the Local Government Finance Act, all local authorities are required to consult business rate payers as part of the budget setting process. The budget consultation survey was circulated to key business representatives to complete. Feedback was received from the Federation of Small Businesses and is summarised below:
- The FSB agree in principle with the savings identified (in the November and January Cabinet reports)
 - The FSB understands the impact that the ongoing COVID-19 pandemic is having on the financial position of the Council with income streams being

hardest hit. The FSB would welcome any further assessment of car parking charges going forward as we look to recover from Covid and strengthen the local economy. FSB is keen for council parking policies to actively encourage visitors and meet the needs of small businesses and help to increase footfall and ensure consumers come back into town centres. The FSB would welcome any impact assessments and consultations with the community, including businesses ahead of making any changes to parking provision and charges.

- The FSB recognises that the impact of Covid on business rates presents a huge risk to the Council. FSB would agree that any forecast in this area needs to be monitored and kept under close review.
- FSB continues to lobby nationally for a fundamental reform of business rates
- FSB would agree with the budget proposals which warn that the estimated forecast for business rates income could still change if the economic impact of COVID-19 worsens.
- FSB would like to see funding levels of business support continue, particularly as we look to support local businesses and help them recover from the Coronavirus pandemic. FSB welcomes the support from Nuneaton and Bedworth, and all local authorities across Coventry and Warwickshire, in helping small businesses at this time particularly around the administration and distribution of grant funding and schemes. We would also be keen to work with the council on any business events during the year including the NBBC annual economic stakeholder event as a way of building business relationships and encouraging businesses to make new connections as they look to recover from the pandemic and help stimulate the local economy.
- FSB would welcome clarity on the extent to which the UK exit from the EU has been factored into the budget proposals. While a deal has been agreed businesses are facing a range of challenges as they seek to understand and adapt to the new requirements. There are concerns around the difficulties faced by firms adapting to new customs processes, obstacles to moving goods and the shortage of informed advice from government and specialist advisers which may impact on businesses locally and we agree this needs to continue to be closely monitored.

5. Draft General Fund Budget Position 2021/22

5.1 The draft budget for 2021/22 includes the following assumptions:

- Pay award estimate of 1.5% plus increased Independent Living Wage
- No price inflation unless it is contractual or unavoidable
- Employers pensions contributions in line with the 2019 triennial valuation
- A decrease in the council tax base of 0.02% as mentioned above
- Increasing Council Tax to £5 on a Band D
- No further increase in fees and charges other than those already approved
- Interest Rates per the latest forecasts
- 1.5% vacancy saving

- Business Rates in line with the table at section 4.12 above
 - COVID-19 spend and income pressures
- 5.2 Negotiations on the pay offer for 2021/22 are still ongoing. The Public Sector Pay Cap announced by the Chancellor does not apply to Local Government as it comes under a separate negotiating arrangement. We have been advised to make budgetary provision for a pay award, particularly as the NJC does still have a commitment to remain an above National Minimum Wage employer and this may have implications for future pay awards.
- 5.3 As already set out in the January Cabinet report, the draft budget assumes that some of the financial impact of COVID-19 will continue into 2021/22. This includes car parking income, which we have assumed will only be at 50% of its pre-COVID levels, and homelessness demand. A COVID resilience reserve of £250k has also been created to provide a cushion against any further impacts over the medium to long term. This is discussed further in section 7.5.
- 5.4 A number of spend pressures have been included in the draft budget as they have arisen and these are shown at Appendix B. A summary of the savings approved by Cabinet already is shown at Appendix C.
- 5.5 The report to Cabinet in November identified a deficit of £54k, after taking into account these spend pressures and savings. There have been a number of changes to the draft budget since that report and further savings identified. These are set out in the table below:

	£'000
Budget Deficit from January Draft Budget report	54
Changes from the budget process:	
Minor budgetary changes	(16)
Further savings identified	
General budget reduction in Environmental Projects	(5)
General budget reduction in Sports Development	(5)
Changes to the way Nuneaton Market is set up	(5)
Restructure of the Car Parks and CCTV service	(7.5)
Increase Mobile Home charges by 10% to bring closer to market levels and reflect the improvements being made to both sites	(9.5)
Reduction in the cost of temporary accommodation by purchasing additional accommodation in the Housing Revenue Account	(20)
Changes in Funding:	
Changes to spreading of Collection Fund deficits, per government guidance	(40)
Additional income raised by a £5 Council Tax increase on Band D compared to 1.99%	(9)

	£'000
Revised Surplus	(63)

- 5.6 To reflect the Councils commitment to tackling Climate Change, a growth item of £60k will be included in the budget to provide some resource for the Strategy and Action Plan 2021/22 and future years.
- 5.7 As part of the draft budget process, a consultation exercise has been carried out with the Voluntary Sector on potential reductions in grant to be paid in 2021/22. Taking into account both the Council's current budget position for 2021/22 and the vital role that the third sector have played and will continue to play in the COVID-19 response, it is proposed that no reductions in grant be applied for next year.
- 5.8 Some of the savings above may have employee implications and where that is the case the Council's Management of Change process will be followed.
- 5.9 As part of the annual budget setting process Fees and Charges are usually reviewed to ensure that they are still meeting their strategic objective, whether that is covering costs, maximising income or maximising demand. However, this review has not been carried out for 2021/22 due to the significant impact that COVID-19 is having on many of our income streams and also the availability of many of our services. Therefore, no further fees and charges increases are proposed, with only Cemetery and Mobile Homes charges seeing an increase for 2021/22.
- 5.10 After taking all of these changes into account the final budget position is a surplus of £3k which will be contributed to unallocated balances.

6. General Fund Capital Programme

- 6.1 Details of the revised Capital Programme for 2020/21 and the draft Programme for 2021/22 are attached at Appendix E. These total £15.567m and £38.568m respectively. The significantly increased programme in 2021/22 is largely due to Town Centre regeneration projects, and these are discussed in more detail at section 6.4 below.
- 6.2 Financing of the revised programmes for 2020/21 and the draft programme for 2021/22 is shown in the table below:

	2020/21 Forecast Outturn £'000	2021/22 Draft Budget £'000

Capital Receipts	2,870	650
Earmarked Reserves	4,150	1,795
Grants & External Contributions	6,653	15,370
Prudential Borrowing	1,894	20,753
Total	15,567	38,568

6.3 There has been some slippage of projects in 2020/21 where the budget will be moved into 2021/22. These are:

- Transforming Bedworth – a cross-party working group has been established during 2020/21 and has reviewed the results of the consultation on the Visioning Study. The group has agreed that the next step is to commission a market assessment for Bedworth town centre, relating to the commercial and residential property market, to include information on rental levels, open market values and yields. This work is due to be completed before the end of March and will inform the future priorities of Transforming Bedworth. This work is expected to cost less than £10k and so the balance of £90k will be transferred to 2021/22.
- Leisure Strategy – £760k of the £1.16m is forecast to be re-profiled into 2021/22 as project works continue through to the next financial year.
- Major Repairs - £65k current year underspend re-profiled to next financial year as three projects have been deferred due to capacity and COVID-19 priorities.
- Sub Regional Materials Recycling Facility – no spend predicted this year as due to lengthy procurement process and evaluation the first drawdown of funding is not expected until April 2021.
- HEART – Due to demand being affected by COVID-19 it is predicted that approx. £3m will be reprofiled into 2021/22.

6.4 The Towns Fund Advance project is to convert the upper floors of 22 Queens Rd into flexible, start-up business space to meet the demand for this type of office accommodation in the borough. In response to the impact of COVID19 on demand for offices smaller, more flexible space, is being created which has increased the original costs as it has been necessary to instal additional heating/air conditioning and mechanical air ventilation to all rooms to provide a sufficient rate of air change to be COVID secure. The increased cost above the £1m Towns Funding will come from capital receipts.

6.5 There are a number of new or increased projects included in the Programme for 2021/22. These include:

- Abbey St Regeneration
In line with the Cabinet decision in October 2020 the funding required to bring forward Phase 1 of the Abbey St Masterplan has been included in the Capital Programme for 2021/22. This is to bring forward the hotel and car

park elements of the scheme plus early design for Phase 2 of the scheme. The budget of £16.8m will be financed by Prudential Borrowing initially and Future High Streets Funding (FHSF) will also support the development once the final allocation has been confirmed.

- Bridge to Living Regeneration

The programme for 2021/22 also includes £5.9m to bring forward the regeneration of the Bridge St area in Nuneaton Town Centre, also funded from the Future High Streets Fund. The project will convert under-used retail space in a multi-use area including small start-up work spaces, residential properties and riverside food and beverage opportunities. At the time of writing the report the Council had been awarded a provisional allocation of FHSF and officers were working with MHCLG officials to submit the information required before the allocation is finalised.

- Sub-Regional Materials Recycling Facility (MRF)

At its meeting on 3rd February, Cabinet approved an increased loan to the company being established to build and operate the Sub-Regional Materials Recycling Facility [MRF] in Coventry ("AssetCo"). This loan (up to £4.5m in total) is a capital transaction and so is included in the Capital Programme for 2021/22. The Council will receive a commercial interest rate on the loan and will not incur any revenue costs until the asset is operational. The project will reduce the Council's overall recycling costs by at least £200k per annum.

- IT Business Continuity Improvements

Our current IT infrastructure was implemented as part of the wider IT programme in 2015 and included 5 years' support and maintenance. Options for refreshing or replacing the current setup are being explored. The Government's Cloud First policy stipulates that public sector should consider and fully evaluate potential cloud solutions before considering any other options. As a result, we chose to take the opportunity to extend the 5-year support for the current hardware for a further 12 months. There is no option to extend support again, so the hardware will become obsolete in October 2021. To maintain security the hardware will need to be either updated with new physical kit or replaced with an alternative solution. Assessment so far indicates replacement costs will be in the region of £430k subject to the solution chosen.

- Public Sector De-Carbonisation Scheme

The Council has made a bid for £640k of funding to the above Government scheme to enable it to replace all the single glazed windows in the Town Hall with double glazed units. At the time of writing this report we have not received confirmation that our submission has been successful, but we are aware that that approval is likely. Should we indeed be successful in being awarded the grant funding, the Government has advised we would need to confirm our acceptance of the grant before the end of March 2021 and spend it by 30th September 2021. Therefore, the scheme has been added to the 2021/22 Capital Programme to allow us to meet the Government's requirements should we be awarded the grant. Spend

against this scheme would only be incurred should the Council be successful in its application for funding.

6.5 The Council has had a shortage of capital receipts for several years and has been continually identifying assets for potential disposal. As part of the budget setting process for 2021/22 further land assets have been identified for disposal over the next three financial years. The draft budget in November included use of £250k of capital receipts to replace revenue contributions for one year only. Any further capital receipts generated above this will be used to finance the capital programme in the medium term, with a particular focus on funding the leisure strategy and regeneration of both town centres.

7. Reserves

7.1 As part of the budget setting process each year, the S151 officer is required to review and confirm that the level of reserves held is prudent in light of the risks that the authority faces. This is increasingly important as the authority now faces much more volatility in its income and is facing further reductions in funding over the next 3 years at least.

7.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) have guidance on local authority reserves and balances and this sets out three main purposes for which reserves are held:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements

7.3 Forecast reserves at the end of March 2021 through to March 2024 are shown in the table below:

	Mar-21	Mar-22	Mar-23	Mar-24
	£'000	£'000	£'000	£'000
Risk Based Reserves	2,951	2,951	2,701	2,551
NNDR Section 31 Grant	4,311	-	-	-
Revenue Earmarked Reserves	3,672	3,488	3,249	3,010
Capital Earmarked Reserves	2,260	1,181	1,220	1,231
General Fund Balance	1,353	1,353	1,353	1,353

Total	14,547	8,973	8,523	8,145
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- 7.4 The NNDR Section 31 Grant reserve has arisen due to the extensive reliefs that have been provided to businesses during the COVID-19 pandemic, for which the Council has received government grant to compensate for the loss of business rates income. The accounting treatment for business rates means that there is a timing difference in reflecting the cost of reliefs and the grant funding, and so the difference has been contributed to an earmarked reserve and will then be used in 2021/22 to match the accounting treatment. As such this is not a 'usable' reserve for the Council and is an anomaly of the business rates system and COVID-19 reliefs.
- 7.5 Through the Coventry and Warwickshire Business Rates Pool, the Council contributes to a Local Volatility Fund (LVF), held by Warwickshire County Council on behalf of the Pool. The LVF was established as part of the governance arrangements to mirror the 'safety net' mechanism that operates under the Business Rates scheme but is not applicable once a Pool has been established, as the pool is expected to manage its own risks from fluctuations in business rates income. The LVF is now at a level above that which is deemed necessary and so Pool members have agreed that a proportion of the LVF can be repaid to members in proportion to their contributions. For NBBC this is a repayment of £500k by the end of March 2021. Proposals for how this will be used are covered below.
- 7.6 COVID-19 will continue to be a risk to the General Fund throughout 2021/22 and possibly into the longer term. The draft budget includes a number of assumptions about recovery and how our services will be impacted, particularly in relation to our income streams. Car parking income, for instance, is only included at 50% of its pre-COVID levels in the 2021/22 budget, but this will depend on any further lockdown periods, the vaccine roll-out and also any longer-term changes to people's behaviours and shopping habits. Based on current forecasts the Council is expecting to have around £50k of government COVID funding remaining at the end of 2020/21 which has been moved into a COVID Resilience Reserve. However, the level of this reserve is low compared to the financial risks that the Council may face from COVID-19 next year and so £200k of the safety net refund referred to in 7.5 above has been contributed to this reserve. The balance has been contributed to the Financial Planning Reserve to ensure that the level of that reserve is sufficient to meet the risks set out at section 9 below.
- 7.7 The revenue reserves include a number of grants and external contributions that have been received for specific projects and are to be spent in future years. For instance, as at March 2021 there is forecast to be £122k for skills and development work as part of the Camp Hill regeneration scheme and £229k of New Burdens grant for Welfare Reform. Reserves are also held to fund future liabilities, such as the Insurance Fund which is estimated to stand at £520k as at end of March 2021. These last two reserves have both been reduced during 2020/21 as part of the savings needed to mitigate COVID pressures in-year.

- 7.8 The capital reserves are to fund investment in our assets and avoid the need for borrowing at a time when available capital receipts are low. These reserves are mainly made up of annual revenue contributions and the New Homes Bonus allocation. This reserve is forecast to reduce over the next three years due to anticipated changes to the New Homes Bonus scheme. The Council may need to consider alternative sources of funding for the capital programme.
- 7.9 A Business Rates Volatility Fund is also in place to help to smooth the impact of changes in business rates income, particularly from appeals. A revaluation of all properties took place during 2017 and new rateable values came into effect on 1st April 2017. This may lead to a raft of new appeals, the impact of which is unknown. This is particularly difficult to estimate as a new appeals process was also implemented by the VOA from April 2017 and very little information on appeals has been received since the new system came into place. In addition, it is likely that, alongside the implementation of 75% Business Rates Retention there will need to be a reset of all business rate baselines. This places significant risk and uncertainty over business rates income post-2021. This reserve is forecast to stand at £2m at March 2021 and 2022 which is deemed prudent given the economic impact of COVID-19 and the potential re-set of business rates baselines in April 2022. The MTFP at section 8 assumes that the Council's net income from business rates will reduce by almost £1m due to the re-set and so contributions from the volatility reserve have been made in 2022/23 and 2023/24 to smooth the impact of the re-set. This reduces the level of reserve to £1.6m by March 2024.
- 7.10 There is a reserve for homelessness prevention of approximately £300k which is made up of several time-limited government grants. There are a number of initiatives being undertaken on homeless prevention – such as the Rough Sleeper Initiative and 'Everyone In' being funded from a government grant – and once these have been evaluated the Council will consider how best to use the reserve to make the biggest impact on the prevention of homelessness in the Borough.
- 7.11 The table at section 7.3 shows that the reserves held by the authority are set to reduce significantly by March 2024, even excluding the impact of the NNDR Section 31 Grant. This is mainly due to the use of capital reserves to finance the capital programme and invest in our assets to ensure they are fit for purpose, and a forecast reduction in the New Homes Bonus grant. Grants and contributions that have been received are also planned to be spent on specific projects. There may also need to be further contributions required from the Business Rates Volatility reserve in order to smooth the impact of a full reset of business rates baselines in 2022.
- 7.12 It is worth noting that the level of earmarked reserves held over the next three years is lower than the anticipated levels in the budget report from February 2020. This is due to the earmarked reserves review that was undertaken earlier this year to identify any reserves that could be released to bring the General Fund back to balance in 2020/21 following the impact of COVID-19.
- 7.13 Despite the challenges mentioned above, the overall level of reserves is still deemed reasonable and prudent when compared to the risk assessment set out

at section 9, although this may not have been the case without the Safety net refund mentioned above. The level of savings required to be identified and achieved over the medium term is a challenge and there are not sufficient unallocated reserves to support the budget gap, so a savings plan will need to be put in place early in 2021/22. There are earmarked reserves held for specific risks, such as business rates alongside the Financial Planning reserve that will help the authority plan for future spending reductions. It is widely acknowledged that local authorities need to maintain a higher level of reserves than in previous years because of the additional risks and uncertainties faced.

- 7.14 The Three-Year Financial Plan was developed on the basis that the revenue budget must be sustainable and therefore should not rely on reserves to support the budget on an on-going basis.
- 7.15 It should be noted that whilst the level of reserves held are considered reasonable, they are on the very low end of that scale, particularly unallocated balances. The CIPFA Resilience Index demonstrates that the Council is at higher risk of financial stress than many of our 'nearest neighbours' due to lower levels of reserves.

8. Medium Term Financial Plan (MTFP)

- 8.1 A high level update of the Council's MTFP was undertaken as part of the draft budget report to Cabinet in November 2021 but acknowledged that a more comprehensive update would be needed once the Spending Review 2021 had been announced. Unfortunately, due to the ongoing impact of COVID-19 the Spending Review was only for one-year, which makes financial planning extremely difficult.
- 8.2 It is also very difficult to estimate what the long-term impact of COVID-19 will be on the Council's services and financial position. Whilst the vaccine roll-out is positive, the timescale for easing lockdown is unknown, and it seems likely that some restrictions will be required for some time, perhaps to differing degrees. Furthermore, once restrictions have eased more substantially, the impact on the local economy and residents' behaviours may take longer to return to pre-COVID levels, or perhaps a 'new-normal'. It is difficult to predict, for instance, whether people will continue to shop online or when our Local Council Tax Support take-up will begin to reduce.
- 8.3 A further review of the MTFP has been undertaken as part of the final stages of the budget setting process. The following assumptions have been used:
- A full reset of business rates baselines from 2022/23
 - An increase in Council Tax of 1.99% from 2022/23
 - A 1% increase in the taxbase
 - Investment income in line with current interest rate forecasts
 - Inflation only where contractual and a 2% pay award per annum
 - A significant reduction in New Homes Bonus, pending the release of the consultation, and continuing to use NHB for capital purposes.

- Phased recovery of income streams from current levels during COVID-19
- 2020/21 Collection Fund deficits chargeable to the General Fund over three years per amended regulations.

8.4 Based on these assumptions, the table below sets out the potential deficit over the next two years:

	2022/23 £'000	2023/24 £'000
Total Draft Budget (after known savings and spend pressures)	15,022	14,932
Funded by:		
Net retained business rates	(3,805)	(3,903)
Revenue Support Grant	0	0
New Homes Bonus	(269)	0
Council Tax	(9,640)	(9,930)
Collection Fund Deficits	411	411
Total Funding	(13,303)	(13,422)
Forecast (Surplus)/Deficit		
Forecast (Surplus)/ Deficit (including 1.99% increase in Council Tax)	1,719	1,510

8.5 The potential deficit is shown with the effect of a 1.99% Tax increase in future years. The government has included assumptions for both taxbase growth and council tax increases when calculating the Spending Review and Settlement and so the Spending Power figures are predicated on a Council Tax increase, but clearly the decision on Council Tax will be a local decision each year.

8.6 At this stage there are a number of assumptions that will have a significant impact on the Councils financial position where there is little or no information. These are:

- As already mentioned, the long-term impact of COVID-19 – the MTFP forecasts assume that some current pressures, such as car park income will take longer to recover to their pre-COVID levels, if indeed they ever do
- Business Rates Reset – a full reset of baselines has been assumed from April 2022. There are likely to be some transitional arrangements, so that the full impact of loss of growth is not felt in one year, but there is no information on how this may work.

- New Homes Bonus – the government has been clear that they intend to fundamentally reform NHB but until the consultation document is released it's not possible to predict what any new scheme might look like.

8.7 The Council also has a continuing shortage of capital receipts, hence the strategy of using New Homes Bonus to fund the Capital Programme and avoid borrowing costs. The Council continues to identify surplus assets to actively marketed to generate further capital receipts and will be actively pursuing land disposals during 2021/22, as identified above.

8.8 There are significant risks to the Council's financial position in the medium term mainly from:

Impact of COVID-19 – the medium to long term impact of COVID-19 is still very much unknown. The pandemic has decimated the Council's income streams and led to a significant demand for homelessness services. Whilst some emergency government funding has been included in the Local Government Finance Settlement for 2021/22, this is only one-off and may not be sufficient to cover all future pressures. The speed and nature of recovery is also uncertain, and the Council may need to adapt its services to meet different demands and expectations from residents and businesses.

Spending Review 2021 – a further Spending Review is due in 2021 as 2020 only covered one year due to the uncertainty around COVID-19. At this stage there is no information yet about the focus or content of SR21 but the outcome could have a significant impact both in terms of the overall spending envelope and then how government may wish to prioritise spending across departments.

Review of New Homes Bonus – the government has committed to a review of NHB during 2021 but the terms of reference or timescales are unknown. A consultation document on proposals is due imminently. The Council has seen its NHB allocations reduce significantly over the last three years largely due to changes to the policy each year.

Fair Funding Review – it is expected that this will resume during 2021 after being paused during the COVID-19 pandemic. It will determine the formula used to allocate resources across local government in future years.

Business Rates – the most significant financial impact and risk will come from the implementation of 75% business rates that is planned for April 2022 alongside a re-set of business rates. This could potentially mean that the council loses the growth that it has experienced since the start of the system in 2013.

Regeneration Projects – the Council has an ambitious Transforming Nuneaton programme which has identified 12 regeneration sites across the Town Centre. The Abbey St site is being brought forward in 2021/22, as well as the Bridge to Living project. Both are being supported by Future High Streets Funding, but the

Council will be acting as developer and taking on significant borrowing in order to achieve the much-needed regeneration of the town centre. This does not come without risk, although each project has a viability assessment, risk analysis and appropriate contingencies.

- 8.9 Whilst the Spending Review 2020 and Local Government Finance Settlement were positive for the Council and the sector as a whole, there are still likely to be challenges post-2021 particularly due to the uncertainties over COVID-19 and the Spending Review due in 2021.
- 8.10 The Fair Funding Review and Business Rates changes were due to come into effect for April 2021. They have been deferred for a further 12 months due to the COVID-19 situation. However, there are no timescales for when they may be complete in 2021 and also when the Spending Review may be announced, and so there is a risk that the outcome of the three changes may not be known until fairly late in 202, leaving little time for plan for the impact on 2021/22 budgets.
- 8.11 Effective Financial Planning is crucial to ensure that the Council is well placed to deliver the savings required and mitigate the risks above and those included in the risk assessment at section 9. There are not sufficient General Fund unearmarked balances to support the budget gap to 2023/24 and so a savings plan will need to be developed and implemented as a matter of priority.

9. Risk Assessment

- 9.1 An assessment of the key financial risks facing the Council is important to ensure that the Council's reserves position is adequate and that the budget being proposed is robust. The table below details the key risks identified and which have been taken into account when reviewing the level of reserves that are maintained.
- 9.2 The Financial Planning Reserve is held as risk cover for this and is estimated to stand at £1.35m by the end of March 2021 with the addition of the Safety Net funding returned from the Business Rates Pool. This is slightly lower than the target set out below, but there are also additional General Fund balances of approximately £350k which are unearmarked.

Risk Area	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Post-COVID economic downturn affecting income streams and demand for services	Not quantifiable	Regular and effective budget monitoring to identify income shortfalls early. Sufficient reserves maintained.	High	High	1% of current income budgets - £130k (note this is based on 2021/22 budgets which still reflect COVID impact)
Business rates income less than forecast due to higher number of appeals, empty properties and liquidations (especially due to COVID-19)	Not quantifiable. A provision has already been made in the accounts (£2m at the end of March 2020) and in the budget forecast for 2021/22 for the estimated cost of successful appeals. The new ratings list from April 2017 and the new 'Check, Challenge, Appeal' process for lodging appeals increases the uncertainty. This reserve is also likely to need to increase once 75% retention of business rates is introduced.	Business Rates Contingency Reserve is maintained and additional contributions made where necessary. Regular monitoring of NNDR income throughout the year. Business Rates pool exists across Coventry and Warwickshire to retain and share additional growth. For exceptional losses in NDR due to COVID, regulations have been amended to allow for the 'exceptional deficit' amount to be spread over 3 financial years to allow councils sufficient time to cover these losses. This spreads the risk over a number of years.	High	High	Specific reserve maintained

Risk Area	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Increased take-up of Local Council Tax Support	Each 1% take up would cost the scheme approximately £100k (of which approx.. £13k would relate to NBBC).	Scheme can be reviewed before the start of each year to adjust cost. Draft budget is based on current high caseload due to COVID-19 75% Collection Fund Support in 2021/22 will mitigate some risk	Medium	Medium	Included within COVID resilience reserve
Lower Council Tax and Business rates collection rate than anticipated due to COVID-19, economic downturn and Welfare Reform	Each 0.5% reduction in collection rate would reduce income collected for NBBC by around £114k	Close monitoring of collection rates throughout the year. Corporate Debt Policy has been reviewed.	Medium	High	£114k – 0.5% reduction in collection
Income from Fees and Charges not recovering from COVID-19 impact as quickly as MTFP has assumed	1% = £97,000 approx	Income forecasts included in the draft budget are realistic at this time and take into account COVID-19 impact. Government Sales, Fees and Charges scheme in place for first Quarter of 2021/22 Regular and accurate budget monitoring and adequate reserves maintained.	High	High	Included in COVID Resilience Reserve

Risk Area	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Vacancy Allowance	1.5% = approx. £200k	The target in the draft budget is achievable but will need to be pro-actively managed.	Medium	Medium	£200k
Unbudgeted expenditure /overspend	Difficult to quantify. Gross expenditure is in the region of £60m	Effective and accurate budgetary control to identify variances at an early stage.	Medium	Medium	0.5% of gross expenditure - £290k
Inflation higher than budgeted	Various	RPI and CPI are forecast to remain relatively stable and low during 2021. Draft budgets based on experience and information available and higher inflation levels have been applied to high-risk areas, such as fuel.	Medium	Low	1% increase in net budget - £140k
Increases in contract costs at the point of retendering	Not quantified – depends on market conditions	Use of procurement frameworks or collaborative procurement to ensure value for money. Early planning and use of reserves to smooth any fluctuations in cost. No key contracts for tender over the next 12 months	Medium	Medium	N/A

Risk Area	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Achievement of savings targets	Various and ongoing	The areas to be reviewed have been selected using a number of criteria to ensure that the savings are realistic, but each one will need to be carefully managed. Savings targets in recent years and in future years have been up to £1.5m per annum but savings identified early in the budget process which partly mitigates the risk.	Medium	Medium	£250k
Third party working arrangements	Not quantified	There are economies and efficiencies to be gained from effective working with other agencies but there may also be financial risks.	Low	Low	N/A
Increased demand for services as a result of reductions in spending by other organisations and welfare changes for example	Not quantifiable	Given the reductions in Government spending and further welfare reform changes, this may have a 'knock on' impact on General Fund services.	Low	Medium	Not quantifiable
Significant uninsured losses	Not quantified	The insurance reserve currently stands at £520k.	Low	Medium	Specific reserve cover

Risk Area	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Unforeseen emergencies e.g. bad weather	Not quantified	Mitigated by effective business continuity planning.	Low	High	
Impact of Brexit	Reduction in investment income is the most immediate financial risk	External treasury advice and regular monitoring of the situation	Medium	High	Low interest rate environment included in base budget position
Revenue implications of regeneration projects different to those that have been modelled.	Not quantified	Viability model for each project with sensitivity analysis and contingencies included Specialist external advice taken	Medium	Medium	£250k Transforming Nuneaton Reserve also in place
Total Risk Reserve Cover required					1.374m

10. S151 S25 Assurance Statement

- 10.1 The 2003 Local Government Act places specific responsibilities on the Section 151 Officer to report on the robustness of the budget and the adequacy of proposed financial reserves when the authority is setting its budget for the forthcoming year. These principles are embedded throughout the Council's budget setting and medium term financial planning processes.
- 10.2 The budget estimates include assumptions on spend pressures, inflationary pressures, interest rate forecasts, and current trends on demand for services. The latter is kept under constant review, especially for the income generating services. The estimates also reflect the Local Government Finance Settlement 2020/21 and the multi-year settlement, as well as the most up to date forecast of business rates income. Savings targets have also been assessed to ensure that they are realistic and achievable.
- 10.3 The minimum prudent level of reserves that the Council should maintain is a matter of judgement, taking into account a number of factors. This includes an assessment of current and future risks that the Council faces but these can and will change over time and so this cannot be the only factor. Reserve levels are ultimately the Council's safety net against unforeseen or unexpected circumstances and risks. Failure to maintain a minimum prudent level of reserves

could lead to the Council being forced to cut spending during the year in an arbitrary way leading to loss of services and reputational damage.

10.4 Reserves are established and maintained in line with the Code of Practice on Local Authority Accounting and are reviewed annually by the S151 and also the Council's external auditors as part of the Value for Money Conclusion.

10.5 The main categories of reserves to be considered are:

- Earmarked Reserves

Earmarked reserves are those which the Council builds up over a period of time to fund known or predicted liabilities. Earmarked reserves may also contain funding for specific projects to be completed in the future, often by external contributions. The Council reviews the levels, contributions and appropriateness of these reserves annually as part of the budget setting process and when preparing the longer term financial strategy. The estimated earmarked reserves for the General Fund are set out at section 7.3 above.

- Unallocated General Reserves (General Fund)

The Council has determined a minimum working balance of £1m for the general fund balance over the medium term (approximately 7% of future net expenditure levels) to deal with timing issues and uneven cash-flows and avoid unnecessary borrowing. The General Fund balance is expected to stand at £1.37m at the end of March 2021 and 2022.

10.6 These minimum levels will be kept under review during the course of the medium-term strategy. In addition, there are other risks, identified in section 9 of the report, that have been taken into account when setting the optimal level for the Financial Planning Reserve. These include assumptions about budget savings and changes in the national and/or local economy as well as future changes in funding from the government Fair Funding Review and implementation of 75% Business Rates Retention.

10.7 Business Rates Retention has brought about much greater risk and uncertainty to local government finance. The level of reserves that are held by the General Fund are prudent and continue to reflect this on-going risk and uncertainty. In line with established accounting practice, part of the Council's financial strategy is to ensure that funding for future spending is not dependent on the use of reserves so as to demonstrate long-term sustainability.

10.8 Taking into account the above, together with all the proposals within the budget report, it is the Executive Director –Resources that the estimates for 2021/22 are robust and the proposed level of reserves is adequate.

11. Conclusion and next steps

11.1 The budget setting process for 2021/22 has been extremely challenging due to the uncertainty over the impact of COVID-19 and the late Spending Review and Local Government Finance Settlement announcements. Whilst the additional

government funding for 2021/22 has eased the financial pressures that the Council faces, the funding is only one-off and there is a considerable gap across the period of the Medium Term Financial Plan.

- 11.2 The Capital Programme for 2021/22 is substantial due to the Abbey St Regeneration and Bridge St projects, both of which present real opportunities for the Council to progress the Transforming Nuneaton Masterplan and kick-start recovery from COVID-19.
- 11.3 The Council has sufficient reserves to meet the budget risks it has identified, although these are lower compared to other similar authorities. The Council also faces a substantial funding gap post 2021, although there is significant uncertainty around this given the ongoing COVID-19 situation and the Spending Review due in 2021.

Simone Hines

General Fund – Forecast Outturn 2020/21

	Current Budget £	Current Forecast £	Forecast Variance £	Key Reason for Forecast Variance to Budget
Portfolio				
Arts and Leisure	5,610,540	5,415,620	(194,920)	Agreed virements of £526k have been processed to mitigate the Covid cost and income pressures on the Civic Hall, Leisure and parks. This has been funded from the Covid grant. To reduce costs the Civic Hall has closed for shows and staff have been redeployed, whilst the museum will be on 2 days a week once lockdown ends until the end of the year. Savings in Parks (£83k) due to reduced works and restructure of service.
Central Services and Refuse	5,100,190	5,102,145	1,955	£80k additional refuse and street cleansing costs (Staffing, PPE and fly tipping) and (£54k) reduced recycling costs, as green waste income able to offset the increased cost of kerbside recycling. (£5k) small salary savings in licencing and public conveniences. (£147k) Net additional Covid grant to cover costs (e.g. PPE) after £120k virement.
Finance and Civic Affairs	5,299,790	6,487,481	1,187,691	£751k Additional Rent Rebates and Allowance costs due to increased homelessness and lower subsidy recovery rate. Also due to the reduced subsidy payments recovery of overpayments down £125k. (£75k) Saving mainly due to the deferral of local elections. Other smaller savings include (12k) mayors car, (16k) council tax vacancies, (£37k) markets and town centre reduced operating costs (after markets Covid virement of £225k). (£124k) underspend in Economic Development due to vacancies and reduced contribution to Camp Hill.

	Current Budget £	Current Forecast £	Forecast Variance £	Key Reason for Forecast Variance to Budget
Housing and Communities	1,494,200	1,492,110	(2,090)	<p>£14k reduced income from late opening of Eaton House and increased cleaning costs £6k of temporary accommodation. Reduced by (£13k) mobile home savings. (Figures after Covid virements of £60k used to mitigate increased cost and income pressures.)</p> <p>Savings include (£67k) development control (mainly vacancies), (£57k) commercial & industrial property net income and (£16k) net environmental and food safety costs (mainly vacancies less consultancy and additional burial costs) plus (£2k) reduced bus station costs.</p> <p>Additional costs include reduced planning income £16k further reduction in car park income £116k due to second lockdown. Figures after Covid virement of £1,525k to mitigate increased cost and income pressures (mainly for car parks).</p> <p>Savings from vacancies in finance, debtors and Customer Services, reduced postage and Flare one off IT savings. Increased insurance contract costs £72k (GF).</p>
Planning, Health and Development	1,066,310	1,147,573	81,263	
Support Services		(100,795)	(100,795)	
Portfolio Total	18,571,030	19,544,133	973,103	
Central Provisions	334,500	334,500	0	<p>Additional contribution to COVID-19 reserve for 2022. COVID-19 virement of (£364k) to fund pressures in services.</p> <p>COVID-19 virements of (£100k) reducing amounts to spend on capital and divert to revenue pressures.</p>
Depreciation & Impairment	(3,117,950)	(3,117,950)	0	
Contributions To/(From) Reserves	(2,580,783)	(2,530,783)	50,000	
Financing of Capital Expenditure	5,028,520	5,028,520	0	

	Current Budget £	Current Forecast £	Forecast Variance £	Key Reason for Forecast Variance to Budget
Premiums on early repayment of debt	21,120	21,120	0	Property fund investment returns higher than expected and return on notice account not reduced to levels in line with Bank Rate. Figure after £90k COVID-19 virement to mitigate losses. Revision of MRP provision to identify saving opportunities. Defer taking new physical debt for as long as possible to avoid 'cost of carry' implications. MRF funding need likely to slip to future years but amount not yet known.
Investment Income	(109,030)	(165,000)	(55,970)	
Minimum Revenue Provision	481,630	427,000	(54,630)	
External Interest	563,290	430,526	(132,764)	
Total Council Net Expenditure	19,192,327	19,972,066	779,739	
Council Tax	(9,168,458)	(9,168,458)	0	COVID-19 Support Grants, including estimates grant income for Sales Fees and Charges Scheme
New Homes Bonus	(1,621,983)	(1,621,983)	0	
General Government Grants	(2,856,000)	(3,636,000)	(780,000)	
Business Rates Retention	(5,413,670)	(5,413,670)	0	
Surplus From Collection Fund	(150,820)	(150,820)	0	
Total Funding	(19,210,931)	(19,990,931)	(780,000)	
(Surplus) / Deficit	(18,604)	(18,865)	(261)	

Spend and Income Pressures 2021/22

	£'000
COVID-19	
Car Park income	760
Markets income	144
Ongoing closure of the Civic Hall	125
Ongoing impact on the Councils Cultural and Leisure Facilities	150
Additional PPE costs	50
Increased homelessness demand net of subsidy receivable	745
Non-COVID	
Increased Parks and Leisure utility costs	24
Additional inflation on the Recycling contract	65
Reduced identification and recovery of Overpayments due to Universal Credit migration	200
Selective Licensing saving not able to be achieved	10
Increased cost of the Insurance contracts	74
Increased IT licensing costs	6
Increased cost of new Payroll contract compared to current contract	20
Reduced Planning income	150
Salaries from career graded posts and changes to recharges off set by reduction in pay award assumption to 1.5%	27
Reduced income for NDR cost of collection allowance	2
Total Spend Pressures	2,552

Agreed Savings 2021/22

	£'000
Opening of Council House as temporary accommodation to mitigate subsidy loss	331
Additional rental income on property portfolio	188
Additional Green Waste income	100
Freezing vacant posts (various)	40
Review of 2019/20 underspends	284
Training and mileage savings	10
Increase Cemetery Fees by CPI+1%	10
Increase Empty Property Premium for Council Tax to 200% after 2 years	18
Reduction in Revenues and Benefits staffing levels by 1FTE (to be managed through vacancies)	30
Reduced contribution required for Pride in Camp Hill	20
Cease Civic Bonfires	10
Continue with current arrangements for the Contact Centre and not replace vacancies	23
Combine the Chair of Planning and Licensing (but still retain separate committees)	2
Reduction in the way the CCTV service is delivered	40
Temporary closure of Civic Hall and redeploy staff to vacant posts across the Council	40
Changes to Treasury Management assumptions	13
Extending asset lives of council vehicles	100
Reduced contribution to Sports Forum	2
Remove budget for attending LGA Conference	2
Mobile Phone contract savings	6
Public Service Network savings – change of provider	6
Reduced Bank Fees	15
Reduced Business Regulation Consultancy	15
Total Savings	1,305

Appendix D

General Fund Budget 2021/22

	Original Budget 2020/21 £	Current Budget 2020/21 (Covid Virements) £	Original Budget 2021/22 £
Arts and Leisure	5,084,540	5,610,540	5,423,630
Central Services and Refuse	4,987,190	5,100,190	5,316,620
Finance and Civic Affairs	4,288,790	5,299,790	4,876,270
Housing and Communities	1,439,200	1,494,200	1,296,900
Planning, Health and Development	(458,690)	1,066,310	78,850
Portfolio Total	15,340,030	18,571,030	16,992,270
Central Provisions	334,500	334,500	334,500
Depreciation and Impairment	(3,117,950)	(3,117,950)	(3,096,530)
Transfers To/ (From) Corporate Reserves	(2,216,783)	(2,580,783)	(5,522,515)
Financing of Capital Expenditure	5,128,520	5,028,520	1,795,000
PWLB Premiums	21,120	21,120	21,120
Interest and Investment Income	(199,030)	(109,030)	(100,000)
Minimum Revenue Provision	481,630	481,630	477,800
Debt Interest	563,290	563,290	468,000
Total Council Net Expenditure	16,336,327	19,192,327	11,369,645
Funded by:			
Net Retained Business Rates	(5,293,376)	(5,293,376)	(4,712,780)
NDR Collection Fund (Surplus)/ Deficit	(120,294)	(120,294)	4,960,420
Council Tax Collection Fund (Surplus)/ Deficit	(150,820)	(150,820)	57,000
New Homes Bonus	(1,621,983)	(1,621,983)	(851,360)
Other Government Grants (one off funding)	-	(2,856,000)	(1,467,805)
Transfer to General Fund Reserves	18,604	18,604	3,398
COUNCIL TAX REQUIREMENT	9,168,458	9,168,458	9,358,518

General Fund Capital Programme

	2020/21			2021/22
	Latest Capital Programme	Predicted Spend (Updated Capital Programme)	Amounts to re- profile to 2021/22	Project Budget (including re-profiled amounts from 2021/22)
	£	£	£	£
<u>Arts, Leisure & Economic Development</u>				
Pauls Land Pavilion	10,500	10,500	-	-
Sandon Park/Jack Whetstone Pavilion	27,870	27,870	-	-
Target Hardening	100,000	-	-	-
Kersley Community Centre Car Park Improvements	1,400	1,400	-	-
Pingles Athletics Stadium - Upgrading Floodlights	24,600	24,600	-	-
Preliminary Works - Riversley Park Bridge	40,000	40,000	-	-
Pingles - Running Track Replacement	104,570	104,570	-	-
Tennis Courts - Miners Welfare Park	210,000	210,000	-	-
Leisure Strategy	1,160,000	400,000	760,000	760,000
<u>Central Services & Refuse</u>				
ICT Strategy Programme	166,800	166,800	-	200,000
Major Repairs	250,000	185,000	65,000	315,000
Public Sector De-Carbonisation Scheme	-	-	-	640,000
Vehicle & Plant Replacement	768,000	768,000	-	250,000
Sub-Regional Materials Recycling Facility	3,396,000	-	3,396,000	4,496,000
Civica APP (Flare)	73,200	73,200	-	-
Business Continuity	-	-	-	430,000
<u>Finance & Civic Affairs</u>				
Camp Hill - Early final phase	2,408,235	2,408,235	-	-
Purchase of Investment Properties (incl properties to lease)	3,460,000	3,460,000	-	-
Towns Fund Advanced Funding	1,000,000	1,300,000	-	-
Getting Britain Building	895,630	895,630	-	-
Transforming Bedworth	100,000	10,000	90,000	90,000
Abbey Street Regeneration (Phase 1)	-	-	-	16,842,500
Bridge to Living	-	-	-	5,884,700
Flood Alleviation	-	-	-	607,150
Purchase of Residential Properties	-	-	-	300,000

	2020/21			2021/22
	Latest Capital Programme	Predicted Spend (Updated Capital Programme)	Amounts to re-profile to 2021/22	Project Budget (including re-profiled amounts from 2021/22)
	£	£	£	£
<u>Housing, Health & Communities</u>				
HEART	6,995,600	4,000,000	2,995,600	7,512,210
Empty Homes & Works in Default	40,000	40,000	-	40,000
Empty Property Loans	100,000	100,000	-	100,000
Mobile Home Sites	217,500	317,500	-	-
Conversion of Council House	894,000	894,000	-	-
<u>Planning & Development</u>				
Replacement CCTV Cameras	9,700	9,700	-	-
CCTV - Wireless Technology	120,000	120,000	-	-
Miscellaneous Schemes	100,000	-	-	100,000
Total Capital Programme	22,673,605	15,567,005	7,306,600	38,567,560
Financed by:				
Capital Receipts	2,870,735	2,870,735	-	650,000
Earmarked Reserves	5,164,520	4,149,520	915,000	1,795,000
Grants & External Contributions	9,348,350	6,652,750	2,995,600	15,369,990
Prudential Borrowing	5,290,000	1,894,000	3,396,000	20,752,570
Total	22,673,605	15,567,005	7,306,600	38,567,560

CABINET

Report Summary Sheet

Date:	10th February 2021
Subject:	Housing Revenue Account Budget and Capital Programme – 2021/22
Portfolio:	Finance and Civic Affairs – Cllr J Jackson and Housing and Communities – Cllr C. Watkins
From:	Executive Director – Resources and Director – Regeneration and Housing

<p>Summary:</p> <p>To present the Housing Revenue Account (HRA) budget for 2021/22, including the recommended changes in rents and the options for increases to fees and charges.</p> <p>The forecast outturn for the HRA for 2020/21 is also included as part of the report, along with the HRA Capital Programme updates for 2020/21 and the proposed capital budget for 2021/22.</p>
<p>Recommendations:</p> <p>2.1 That the forecast outturn for 2020/21 be noted and revised capital programme for 2020/21 of £17.220m be recommended to Council.</p> <p>2.2 That a virement of £500k is approved for 2020/21 from earmarked reserves to the Independent Living Service within Supervision and Management to fund the increased costs for fire risk surveys and security.</p> <p>2.3 That the draft HRA Capital programme for 2021/22 of £25.057m be approved and recommended to Council, as shown at Appendix C</p>

- 2.4 That an increase in HRA dwelling rents for 2021/22 of 1.5% be approved in line with Government policy of CPI + 1%;
- 2.5 That Homeless Hostel rents be increased for 2021/22 by 1.5% in line with the general dwellings rent increase;
- 2.6 That an increase of 1.5% for 2021/22 in line with CPI + 1% for other HRA fees and charges as set out in section 4.11 be approved;
- 2.7 That the 2021/22 draft HRA Revenue budget, including the rent and fee changes above, be recommended to Council for approval;
- 2.8 That delegated authority be given to the Executive Directors to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the capital programme for the General Fund
- 2.9 Due to the timescales involved with setting the HRA budget and rents for 2021/22 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.

Options: To accept the recommendations;
To not accept the recommendations and request amendments to the draft budgets.

Reasons: To set a sustainable budget for the HRA for 2021/22 and associated capital programme and to demonstrate long term sustainability through the business plan

Consultation undertaken with Members/Officers/Stakeholders

Portfolio Holder – Housing and Communities
Leader of the Council

Subject to call-in: No

Corporate Priorities: Theme 1: Priorities 1 and 3
Theme 2: Priorities 1,2 and 3
Theme 3: Priorities 1, 2, 3 and 6

Relevant statutes or policy:
Housing Act 1985
Localism Act 2011
Housing Revenue Account Business Plan 2012 – 2042
Local Government Finance Act 1992 and Local Government Act 2003
Welfare Reform and Work Act

Equalities Implications:

None

Human resources implications:

Employee costs are a significant part of the HRA budget and the Management of Change policy will apply to any employees affected by budgetary decisions.

Financial implications:

The report outlines the financial position of the HRA for 2020/21 and 2021/22 along with the Capital spend requirements for 2021/22.

The HRA business plan identifies the longer-term financial viability of the HRA and although HRA balances increase in the short term, there are significant issues in the medium term and the actions that have been taken and those approved as part of this report will ensure that balances do not fall below the minimum working balance for the full term of the business plan.

Health Inequalities Implications:

Homes that are well maintained, safe, warm and affordable are significant contributory factors to improved health and wellbeing.

Section 17 Crime & Disorder Implications:

The installation of new doors, windows and where appropriate, door entry systems improves the safety of homes and reduces the risk of theft from the home.

Risk management implications:

All budgetary decisions will need to be risk assessed to ensure they are achievable and to be fully aware of any implications.

Environmental implications:

The installation of new boilers, windows and doors improves the thermal efficiency of homes and reduces carbon emissions

Legal implications:

The Council is required by law to maintain a ring fenced Housing Revenue Account and maintain a minimum operating balance. The budget should be risk assessed and sustainable in the long term.

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NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet – 10th February 2021

From: Executive Director – Resources and Director – Regeneration and Housing

Subject: Housing Revenue Account Budget and Capital Programme – 2021/22

Portfolio: Finance and Civic Affairs (Cllr J Jackson) and Housing and Communities (Cllr C Watkins)

Delivering Our Future Themes: 1, 2 & 3

Delivering Our Future Priorities: 1.1, 1.3, 2.1, 2.2, 2.3, 3.1, 3.2, 3.3 & 3.6

1. Purpose of Report

- 1.1. To update Cabinet on the 2020/21 forecast outturn for the Housing Revenue Account (HRA) budget.
- 1.2. To present the proposed 2021/22 Housing Revenue Account revenue budget to Cabinet for approval, prior to submission to Council.
- 1.3. To present the updated Capital Programme and financing for 2020/21 and 2021/22 for approval prior to submission to Council.

2. Recommendations

- 2.1 That the forecast outturn for 2020/21 be noted and revised capital programme for 2020/21 of £17.220m be recommended to Council.
- 2.2 That a virement of £500k is approved for 2020/21 from earmarked reserves to the Independent Living Service within Supervision and Management to fund the increased costs for fire risk surveys and security.
- 2.3 That the draft HRA Capital programme for 2021/22 of £25.057m be approved and recommended to Council, as shown at Appendix C
- 2.4 That an increase in HRA dwelling rents for 2021/22 of 1.5% be approved in line with Government policy of CPI + 1%;
- 2.5 That Homeless Hostel rents be increased for 2021/22 by 1.5% in line with the general dwellings rent increase;
- 2.6 That an increase of 1.5% for 2021/22 in line with CPI + 1% for other HRA fees and charges as set out in section 4.11 be approved;

- 2.7 That the 2021/22 draft HRA Revenue budget, including the rent and fee changes above, be recommended to Council for approval;
- 2.8 That delegated authority be given to the Executive Directors to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the capital programme for the General Fund
- 2.9 Due to the timescales involved with setting the HRA budget and rents for 2021/22 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.
3. 2020/21 Forecast Outturn
- 3.1 The budget for the Housing Revenue Account Revenue was approved in February 2020 and showed a deficit of £288k. The forecast outturn for the year is anticipated to be a deficit of £286k, a £2k variance to the original budget.
- 3.2 The main variances for the year are shown in the table below:

Variance	£'000
Supervision & Management	
Salary savings across service (net of agency costs)	(117)
Increased costs of council tax and business rates due to voids	87
Additional costs within Independent Living for fire risk surveys and security services	521
Other minor variances	(10)
Repairs & Maintenance	
Net savings across Repairs and Maintenance, due to reduced staffing and agency costs	(87)
Increased works for gas servicing and lift servicing	134
Reduced cost of external contractors for dwellings and rendering/algae removal	(89)
Reduced costs of disposal, transport and materials	(135)
Increased deep cleans expenses and repair costs for void properties	102
Income	
Increased hostels & temporary accommodation income	(13)
Increased dwelling rents	(5)
Increased debt reduction orders reducing income	30
Reduced income from garages due to voids and demolitions	14
Lower than restated budgeted income independent living schemes (after virement earlier in the financial year)	23
Reduced interest receivable due to historic low rates	16
Other	

Variance	£'000
Defer new external debt for capital financing	(449)
Appropriations from reserves	(12)
Savings across support service functions (including finance and contact centre)	(12)
Total Net Variance	(2)

3.3 Following the completion of initial additional high detail fire risk assessments, it was decided to suspend the 'Stay Put' policy in some Independent Living Schemes whilst further investigations and works were undertaken. Given the change to the policy, Security services have been employed to assist tenants to evacuate safely, outside of normal working hours. The cost of the surveys, works and security services amount to £500k. A virement from HRA general earmarked reserves will be required to finance this.

4 Draft Housing Revenue Account Budget Position 2021/22

4.1 The draft base budget for 2021/22 shows a deficit of £2.76m. A summary of the HRA draft budget is shown at Appendix A. This includes a revenue contribution to capital of £3.70m and implications of borrowing £8.00m to finance a capital programme totalling £25.06m. Further information on the capital programme is shown at Section 5 and Appendix C.

4.2 On the basis of the estimated outturn for 2020/21 and draft budget for 2021/22, the HRA balance at the end of the 2021/22 will decrease to £3.72m, which is still above the minimum working balance and is used to support the Business Plan over the longer term.

4.3 In October 2019, the Government announced that the interest rate on debt taken from the Public Works Loans Board (PWLB) would increase by 1%. This was factored into the Business Plan for 2020/21 and resulted in affordability of new build being viable being severely impacted and only £28m could be borrowed in addition to existing debt levels before it became unaffordable. Since that date there have been revisions to government policy on PWLB debt rates which has reversed that increase. This reversal of policy, coupled with a low interest rate market has seen interest rates half from where they were last financial year resulting in a more ambitious new build and acquisitions strategy that remains affordable over the 30 year plan.

4.4 A robust review of risks facing the HRA, linked to the level of reserves required, is included at section 6 of this report.

4.5 The draft HRA budget for 2021/22 includes the following assumptions:

- Pay award estimated at 1.5% pending conclusion of national pay negotiations
- Price inflation only where unavoidable e.g. utilities and contracts

- Decrease in employer's superannuation contributions per the 2020 triennial valuation
- 1.5% vacancy saving
- Treasury budgets in line with latest interest rate forecasts
- A rent increase based on 1.5% in line with Government policy
- Increased borrowing of £8.0m to assist in the funding of the new build and acquisition programme.

4.6 It is anticipated that garage rental income will continue to decrease as the numbers are reduced on those sites identified for new build homes. The new build and acquisition programme will mitigate some of the stock lost through Right to Buy.

4.7 Negotiations on the pay offer for 2021/22 are still ongoing through the national negotiation body, and Local Government is not bound by the Public Sector Pay Freeze announced by the Chancellor as part of the Spending Review in 2020. A budgetary provision has therefore been included for 2021/22, and also recognises that in previous pay rounds lower spinal points have received a higher percentage increase.

4.8 Other significant changes included in the draft budget for 2021/22 include:

- An increase of 1.5% on garage rents (based on September CPI plus 1%) is proposed. This will raise the weekly charge by 19p to £7.32.
- An increase in Homeless Hostel rents of £1.5%. This will raise the nightly charge by 0.53p. A large proportion of tenants in the hostel are able to claim Housing Benefit or Universal Credit.
- An increase of 1.5% in other Fees and Charges is proposed. This includes Independent Living charges, Visitor Accommodation for Independent Living, external administration charges and other minor charges. This raises additional income in total of £13k.

5 Housing Revenue Account Capital Programme

5.1 Appendix C details the current capital programme and the forecast outturn for 2020/21. The 2021/22 proposed HRA capital programme is also shown at Appendix C and totals £25.06m and includes £9.29m of slippage re-profiled from 2020/21 including amounts to complete the current phase of the new build programme and Byford Court Rebuild

5.2 The 2020/21 forecast outturn is £17.2m against an approved budget of £27.8m. A number of projects are requested to be reprofiled to 2021/22 including:

- Sheltered Alarm Call System £100k – delays due to working with vulnerable tenants

- District Heating Boilers £235k – project deferred due to Covid19 and lack of space in boiler rooms to allow social distancing
- Level Access Showers £100k – Some tenants refusing access to properties during current Covid19 situation, therefore works deferred
- New Build Properties £6,568k – Significant delay due to MMC procurement and impact of Covid19 on delivery. Cost of works on sites phased over 2-3 years within the Business Plan
- Byford Court Rebuild £1,658k – Following consultation and design the total project cost will be approximately £2.5m. £1.6m is required in 2021/22 with the remainder identified within Business Plan for spend in 2022/23.
- Acquisitions £469k – due to slowdown in the housing market and lack of suitable properties being identified (in part due to Covid19) purchases slowed. Therefore the remainder of the budget is proposed to be re-profiled into 2021/22 to ensure that resources are available to purchase suitable stock.

- 5.3 The Council successfully applied for Phase 1a of the Green Homes Grant from the Department of Business, Energy and Industrial Strategy (BEIS). The grant is aimed at raising the energy efficiency of low income and low energy performance homes, and an award of £660k for the installation of external wall insulation has been received. This award must be spent by the end of March 2021 and match funded by the HRA. A further submission for Phase 1b for a total of £660k has been submitted, the outcome of which is still awaited at the time of writing this report. Additionally, a third submission for Phase 2 has also been submitted in the amount of £300k, again the outcome of which is still awaited at the time of writing this report.
- 5.4 Following receipt of the external Fire Risk Assessments for all communal Independent Living Schemes, a number of high priority issues were identified. The majority of issues were related to insufficient compartmentation in the roof voids. These works were prioritised, however, some delay was experienced due to a lack of supply of specialist materials due to lockdown, lack of contractor capacity due to Covid-19 infection and self-isolation, along with the inability to access some flats, due to the shielding requirements of some residents. All but 3 schemes were completed in December 2020, a further 2 will be completed in February 2021, leaving one to be completed by the end of April 2021.
- 5.5 External Fire Risk Assessments are nearing completion in relation to the General Purpose blocks of flats. It is anticipated that these risk assessments will identify works that must be prioritised. As such, additional funding has been identified in 2021/22 and 2022/23 to accommodate these necessary works.
- 5.6 Since the introduction of self-financing the capital investment in our stock has increased significantly, in addition to investment in new build

properties. There is a capital budget totalling £11.48m in 2021/22 to allow for further new build properties as well as acquisitions of properties on the open market.

- 5.7 The specific sources of funding for the capital programme for 2021/22 are given in the table below:

	2021/22 £'000
Major Repairs Reserve	9,543
Earmarked Reserves/ Direct revenue financing	3,700
Capital receipts	1,645
Capital Grants Funding	2,169
Borrowing	8,000
Total	25,057

- 5.8 Within the HRA, a reserve has been created to reflect the requirement to replace building components as they wear out; this is called the Major Repairs Reserve (MRR). The business plan established a MRR based on the investment requirements identified via the ongoing stock validation exercises and the funding available, including revenue contributions and capital receipts. Capital receipts arise mainly from “right to buy” sales of Council homes, which have exceeded ours and Government expectations allowing us to retain a higher proportion of the gross receipt. Earmarked reserves are specific reserves that have been set aside to finance projects in future years and direct revenue financing to capital outlay is money taken from the revenue account and used to fund capital works on a direct “pound for pound” basis.

- 5.9 The Capital Programme each year is determined based on current stock condition information and need. Explanations for the major projects are given below:
- Decent Homes - This budget reflects both the contractual obligation with partner contractors and the need to continue to maintain the decent homes standard and respond to tenant requirements. Works carried out under this budget include kitchen and bathroom upgrades as well as re-wiring to ensure the continued safety of our homes.
 - Central Heating Upgrades - This reflects the continuation investment to accelerate the numbers of homes with efficient, cost effective heating systems and to comply with contractual requirements.
 - District Heating Boilers – The boilers servicing our district heating schemes (largely Independent Living Complexes) require replacement in line with individual dwelling boiler upgrades. This budget represents the continuation of a 6 year programme to carry out replacements / upgrades.
 - Fire Safety Works - Whilst the Council does not own any ‘tower blocks’, it continues to be committed to ensuring that its stock meets all fire risk management legislation. As mentioned at 5.3, this budget reflects a significantly increased investment to accelerate works to the on-going fire safety programme, including the prioritisation of all high priority items identified from specialised surveys, and meet all requirements currently being considered following the publication of three White

Papers in response to the Hackitt Review, undertaken in response to the Grenfell Tower tragedy.

- New Build and Acquisitions – There continues to be high demand upon our housing stock, partially arising from the increased levels of homelessness. This is exacerbated by the loss of stock from the Right to Buy scheme with stock losses of historically around 50 per year. Additionally, affordable housing stock is being lost via Housing Association accommodation where relevant organisations have instigated the Voluntary Right to Buy (VRTB) scheme. This budget provides for the continuation of new build homes for rent within the HRA, along with the acquisition of existing homes to accelerate the delivery of homes available for those in housing need.

Aids & Adaptations / Level Access Showers – There continues to be a high demand for disabled adaptations to ensure homes meet the needs of adults and children experiencing disability issues. The Council is legally required to undertake these adaptations and the budget is set to reflect that current demand.

6 Risk Assessment

- 6.1 The overall level of reserves held should be linked to the likely financial risks facing the HRA. The level of reserves is reviewed annually for the General Fund and it is important that the risks facing the HRA are considered in the same manner. The table below identifies the individual risk factors and also demonstrates what reserve should be held to mitigate the risk.

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
The extension of Welfare reform changes, roll-out of full service Universal Credit resulting in rising rent arrears.	Approx 70% of HRA tenants are in receipt of some level of housing benefit. The introduction of direct payments or the restriction of benefits for young people could result in arrears rising significantly.	Close and proactive work with tenants on budgeting and debt advice. The Financial Inclusion team provide a comprehensive debt service and Housing officer's work with tenants to meet demand where possible to move to smaller properties. A Lean Review of support and advice given to tenants is scheduled to completed in early 2020, with a view to increasing tenants' capacity to manage finances and reduce levels of rent arrears. Applications for Discretionary housing payments are actively encouraged for any tenant experiencing hardship.	High	Medium	Approx 70% of rental income comes from Housing Benefit – around £16m. A 5% reduction would equate to £800k. Additional Bad Debt Provision has been built into the Business Plan but it is suggested that a risk-based reserve of £600k should be maintained as well. This will need to be kept under constant review.	600
Local economy failing to improve resulting in higher demand for services and increasing rent arrears.	The HRA receives income from tenants and from commercial rents. The level of bad debts could increase if the local economic	Active marketing of any void commercial properties and development of a council wide economic development strategy. Regular monitoring and reporting of	Medium	Medium	Each additional 1% of rent arrears from commercial and non-dwelling properties equates to £40k	80

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
	conditions do not improve.	income levels during the year.				
Increased Right to Buys leading to reduced rental income	Increased discounts available on RTB's may encourage greater uptake resulting in rental income loss. Each property generates approximately £4k rental income per annum.	An allowance has been built into the budget to allow for 50 RTB's – this will be kept under review throughout the year and any significant fluctuations in rental income monitored.	Medium	High	Currently forecasting 50 RTB's in the Business Plan. Each additional will result in loss of income of around £4k per year. An extra 10 a year would be £40k. However, each RTB also reduces repairs and maintenance liability, capital costs, and generates a capital receipt that can be used to reduce RCCO or increase investment. Therefore no specific reserve holding is recommended.	N/A
Right to buys higher than budgeted, generating excessive 1 for 1 replacement receipts.	Above a certain threshold preset by Government, each right to buy receipt generates a 1 for 1 replacement receipt which is retained to part finance increased social housing provision. However, the retained 1 for	This represents a significant risk as 70% of the costs of providing an additional property must be identified from within existing HRA resources. The 1 for 1 retained replacement receipt must be utilised within 3 years, or it has to be paid back with interest to central Government.	Medium	Medium	No additional reserve is needed as the mitigation is a Capital Programme in place to ensure that spend is achieved within the 3-years.	N/A

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
	1 receipt only finances 30% of the average costs of providing an additional dwelling.					
Higher void levels reducing rental income	Void turnaround time will be monitored closely to avoid rent loss.	Void loss of £470k has already been built into the budget. Increased focus has been undertaken in this area, with the aim of reducing the void turn-around times and reducing the number of difficult to lets in Independent Living stock.	Medium	Medium	Each 0.5% increase in void levels - £120k	120
Unbudgeted expenditure /overspend	Not quantified	Effective and accurate budgetary control to identify variances at an early stage.	Medium	Medium	1% of gross budget – approx. £300k	300
Inflation higher than budgeted	Various	Draft budgets based on experience and information available. Only contractual increases have been included in the draft budget.	Medium	Low	Each 1% increase in the pay award - £50k Each 1% in non-pay budgets – £90k This is already included in 1% figure above, so no specific separate reserve cover is needed, as risk would be covered under the minimum working balance.	N/A

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
Unforeseen emergencies e.g. bad weather, change in Government policy	Not quantified	Mitigated by effective business continuity planning.	Medium	High	GF insurance fund and HRA Minimum working balance	N/A
Brexit – potential for increased materials costs both for reactive and capital works.	Not quantified.	On-going dialogue with suppliers	Medium	High	Given the level of uncertainty around the impacts upon materials supply/costs post Brexit, it is prudent to allow for some increased materials costs at 1% of spend.	200
Covid-19 Pandemic – increased costs due to PPE requirements , changes to working practices & additional safety measures such as enhanced specialised cleaning to relevant properties		Draft budgets based upon 20/21 costs – continuation / changes to requirements are unknown at this time.	Medium	High	Draft budgets take account of known/likely requirements. Risk reserve set to reflect unknowns as we progress through the pandemic.	50
Total Reserve Cover needed for 'risk management						1,350

6.2 The 2021/22 budget and the Business Plan are based on a number of assumptions, many of which are based on factors outside of our control. The total reserve cover shown in the table above is the amount recommended to be held as a financial planning contingency. This is in addition to the minimum working balance of £1.3m. This means that the HRA must have a total reserve/minimum working balance of £2.6m to ensure it can mitigate the significant risks it faces for the duration of the business plan.

7 HRA Business Plan - update

- 7.1 Since April 2012, the HRA has been operating under the self-financing system, and the financial plan element of the business plan is updated annually to ensure that it remains viable and is financially sustainable in the longer term. The Business Plan contains a number of mandatory elements to support and demonstrate this including details on the condition of its housing stock and other HRA assets such as garages and shops and the approach to associated investment requirements needed to maintain them. The Plan is also required to set out how future rent changes will be dealt with, as well as identifying areas where efficiency savings may be realised in order to support the future viability of the HRA.
- 7.2 Acquisitions continue to be an important route to increasing the housing stock, especially given the lack of developable land within the HRA. It should however be noted that piecemeal single acquisitions are difficult to secure at a viable cost, time-consuming in terms of identification, inspection and negotiation and, do not deliver the volumes that are required. It is therefore important to continue to pursue the potential acquisition of larger numbers of homes via Section 106 Affordable Housing planning requirements associated with larger scale developments. This approach offers another set of barriers, in that most large scale developers have established partnerships with local and regional Registered Providers (formerly known as Housing Associations). It is likely that to break into this approach, we are in direct competition with Registered Providers (RP's) which could impact on cost and ultimately, our ability to match RP offers. That being said, work is actively underway to engage developers in order to identify opportunities at the earliest opportunity as well as identifying whether changes to approach may be acceptable to increase the Council's ability to acquire stock via the Section 106 process. In addition to this, the Council is also in the process of completing on an apartment block of 9 two-bedroom units for the HRA. This is included in the capital programme and will also reduce the costs of providing temporary accommodation in the General Fund.
- 7.3 The deliverability of the new build homes via the use of Modern Methods of Construction (MMC) was championed by the Council and Homes England. Following a successful pilot scheme, the Council has continued to identify improvement areas in what is still an immature market. As a result, the Council is tendering a broader framework which encompasses an improved approach and which will speed up the delivery of MMC homes and the associated groundworks.
- 7.4 As referred to in paragraph 4.3, the reduction in borrowing rates by the PWLB and the low interest rate market has allowed for officers to revisit the viability of significant investment in new build and acquisition opportunities. Over the life of the plan it remains affordable to build or acquire almost 2,000 units thereby exceeding the assumed units lost under Right to Buy which total 1,500 (50 per annum).
- 7.5 There is wide recognition and support for a continued new build and acquisition programme in order to deliver more affordable homes in the borough. Whilst this is a priority requirement, there continue to be issues

within the existing stock that must be investigated and addressed as appropriate. There are homes that suffer from poor design and which also require significant ongoing maintenance due to their construction type. The provision for large scale feasibility studies reflects the need to identify any properties or groups of properties that would benefit from re-modelling / regeneration, in order to ensure they deliver fit for purpose dwellings and overall living environments. The business plan must continue to provide for a balance between delivering new housing stock and continued investment in existing homes and the surrounding built environment.

7.6 The Plan remains viable over the 30 years and Appendix B shows a graph indicating balances over the life of the current business plan.

7.7 The HRA Business Plan is facing an increasing number of demands, in order to respond to changes in both demand and types of accommodation required, the need to continue to invest in existing housing stock and to understand options for re-development and retrofitting to meet climate change challenges. Work is currently underway to;

- identify a future heating strategy for both new build and existing housing stock, which will also identify the costs associated with those options identified;
- identify other green energy and climate change initiatives suitable to fit to both existing and new build homes;
- identify land for acquisition to continue the social housing new build programme, given the lack of available land within the HRA;
- options appraisals are being undertaken to identify regeneration requirements and costs across relevant areas within the HRA stock.

7.8 Given the increasing complexity of demands upon the Plan, a fundamental review will be undertaken during the next financial year, taking account of the work currently underway as identified at paragraph 7.7. The outcomes of that review will be brought to Cabinet in the Autumn of 2021.

8 Conclusion

8.1 This report presents a sustainable budget and reserves position for 2021/22 and for the life of the Business Plan. The Council plans to use its borrowing flexibility to increase the number of homes added to its stock whilst balancing affordability and investment in existing stock.

8.2 The risks to the HRA are being managed through its risk reserve/minimum working balance of £2.6m which also includes the provision for all the risks identified above. This level of reserves will be reviewed year on year in line with the budget and business planning process, to ensure it remains adequate, and a further update will be included as part of the next Business plan review.

8.3 The 30 year financial plan will continue to be refreshed each year to assess how best the Council can maintain its existing stock and seek to

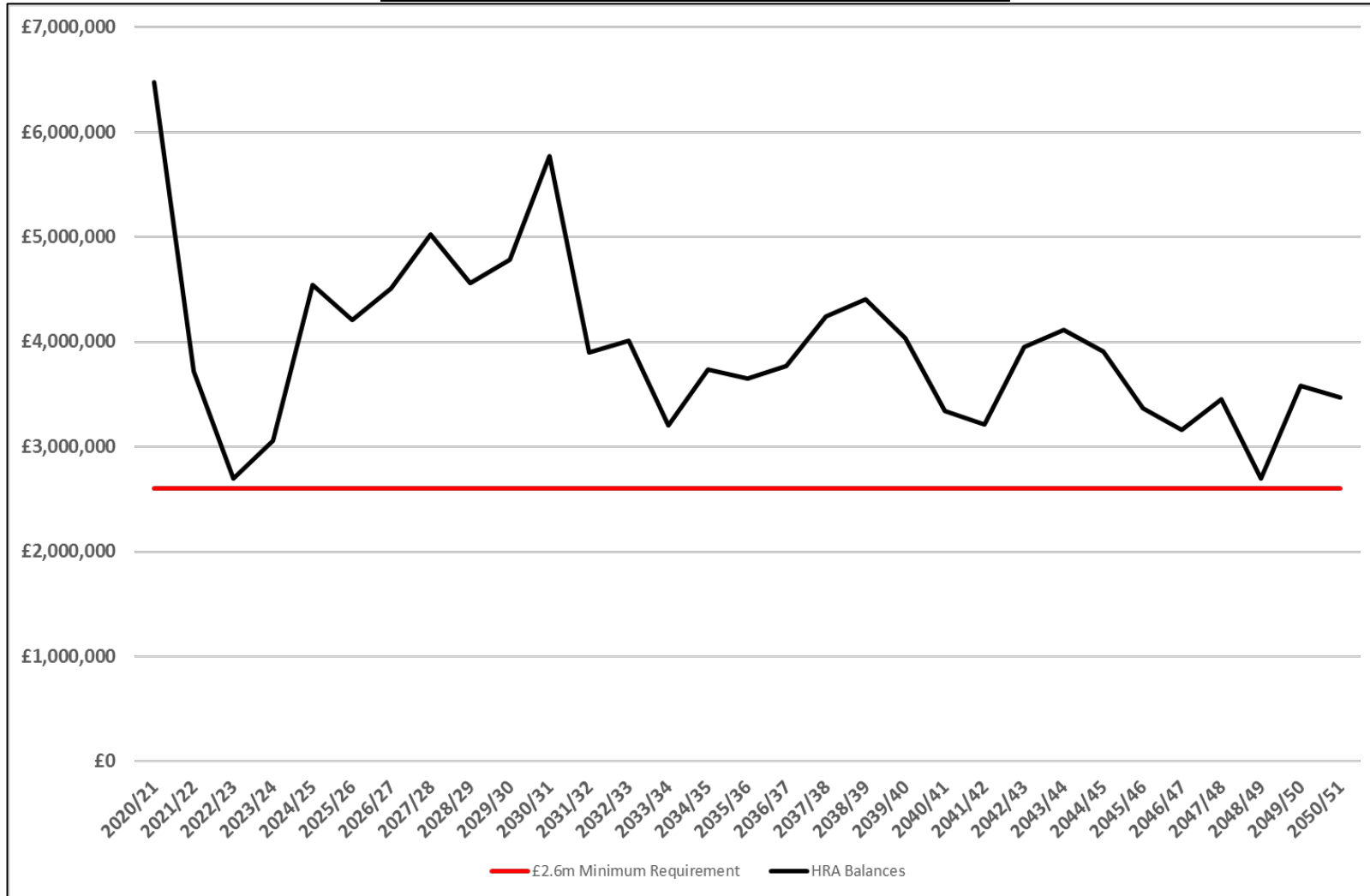
increase new build and acquisitions, whilst still ensuring the viability of the HRA in the long term.

Simone Hines
Dawn Dawson

Draft Housing Revenue Account Budget

	ACTUAL 2019/20 £000	CURRENT BUDGET 2020/21 £000	FORECAST OUTTURN 2020/21 £000	PROPOSED BUDGET 2021/22 £000
Balance Brought Forward	(12,169)	(6,761)	(6,761)	(6,475)
<u>Income</u>				
Dwelling rents	(23,072)	(23,037)	(23,025)	(23,380)
Non-dwelling rents	(573)	(589)	(576)	(584)
Charges for services and facilities	(2,141)	(2,066)	(2,042)	(2,075)
Interest Receivable	(75)	(47)	(31)	(7)
TOTAL INCOME	(25,861)	(25,739)	(25,674)	(26,046)
<u>Expenditure</u>				
Repairs & maintenance	5,350	5,136	5,062	5,197
General management	4,965	5,260	5,205	5,852
Special services	3,618	3,859	4,382	3,288
Capital financing	5,414	1,793	1,793	3,700
Debt Interest costs	2,046	2,397	1,948	2,086
Depreciation	8,301	8,461	8,461	8,681
TOTAL EXPENDITURE	29,694	26,906	26,851	28,804
<u>Adjustments</u>				
Major Repairs Reserve Contributions	4,056	-	-	-
Earmarked Reserves	(2,481)	(879)	(891)	-
TOTAL ADJUSTMENTS	1,575	(879)	(891)	-
(SURPLUS) DEFICIT	5,408	288	286	2,758
Balance Carried Forward	(6,761)	(6,473)	(6,475)	(3,717)

HRA 30 year Business Plan – Balances Forecast



Draft HRA Capital Programme

	2020/21			2021/22
	Latest Capital Programme	Predicted Spend (Updated Capital Programme)	Amounts to re- profile to 2021/22	Project Budget (including re-profiled amounts from 2020/21)
	£	£	£	£
Decent Homes	2,500,000	1,900,000	-	2,500,000
Roof	850,000	965,000	-	850,000
Coverings/Modifications				
Shed Door & Roof Renewals	25,000	-	-	-
Windows & Doors	700,000	700,000	-	700,000
Sheltered Alarm Call System	367,000	267,000	100,000	100,000
Door Entry Scheme	50,000	81,000	-	150,000
Shops Improvements	28,000	-	-	-
** New Properties (Construction)	9,036,000	1,910,000	6,567,650	6,567,650
** Byford Court – Rebuild	2,387,000	6,620	1,658,050	1,658,050
Large Scale Improvement Feasibility	160,000	-	160,000	310,000
District Heating Smart Meters	262,500	262,000		50,000
District Heating Boilers	250,000	15,000	235,000	435,000
Fire Risk Assessments (General Purpose)	40,000	40,000	-	-
Fire Works (General Purpose)	260,000	260,000	-	2,500,000
Acquisition of Properties	1,766,200	1,297,000	469,200	3,250,000
Level Access Showers	537,500	438,000	100,000	750,000
Aids & Adaptations	500,000	600,000	-	650,000
Central Heating	1,000,000	1,000,000	-	1,000,000
Garages	25,000	60,000	-	-
Slabs to Tarmac	200,000	200,000	-	200,000
Lift Renewal Works	100,000	100,000	-	100,000
Fire Safety Upgrade Works	2,916,000	2,916,000	-	-
PIR Electrical Works (Sheltered Housing & Communal)	445,000	445,000	-	400,000
Voids	450,000	800,000	-	650,000
Structural; Concrete Repairs/ Cladding	2,000,000	2,000,000	-	1,600,000
Environmental Works	25,000	80,000		70,000

	2020/21			2021/22
	Latest Capital Programme	Predicted Spend (Updated Capital Programme)	Amounts to re-profile to 2021/22	Project Budget (including re-profiled amounts from 2020/21)
	£	£	£	£
Housing Management System	356,000	356,000	-	100,000
Fire Damage Works	15,000	55,000	-	-
CCTV Renewal – GP Flats	-	-	-	50,000
Capital Salaries	439,170	439,170	-	316,430
Contingency	100,000	27,000	-	100,000
Total Capital Programme	27,790,370	17,219,790	9,289,900	25,057,130
Financed by:				
Major Repairs Reserve	12,817,455	12,590,000		9,543,000
Earmarked Reserves/ Revenue	1,793,170	930,690		3,699,630
Capital Receipts	2,835,045	1,129,100		1,645,000
Capital Grants/ Contributions	1,500,000	660,000		2,169,500
Borrowing	8,844,700	1,910,000		8,000,000
Total	27,790,370	17,219,790		25,057,130

*** New Properties Construction and Byford Court Rebuild budgets for 2021/22 reflect the amount required for 2021/22 and not the total amounts required to complete the projects which are phased over a 2 year period.
A further £3.6m is set aside within the 30 year plan in 2022/23 to complete works starting in 2021/22.*

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date:	10th February 2021
Subject:	Treasury Strategy & Budgetary Framework 2021/22
Portfolio:	Finance & Civic Affairs
From:	Executive Director – Resources

Summary:

The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

Recommendations:

That the proposed Treasury Strategy and Budgetary Framework 2021/22, as detailed in **Appendix H**, be agreed and submitted to full Council for approval including:

- Treasury strategy
- Treasury and Prudential Indicators
- MRP Policy Statement
- Capital Strategy
- Capital Resource Allocations

Options:

To accept the report or request further information, having regard to the legal deadlines for setting of budgets.

Reasons:

To comply with regulations and the CIPFA Code of Treasury Management.

Consultation undertaken with Members/Officers/Stakeholders

None

Subject to call-in: No

Ward relevance: All

Forward plan: Yes

Corporate Priorities: Theme 3: Priorities 1, 2 and 3

Relevant statutes or policy:

CIPFA Code of Practice on Treasury Management 2017

Local Government Act 2003

Equalities Implications:

None

Human resources implications:

None

Financial implications:

As detailed within the report.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

Any investment and borrowing decisions will be based on the approved strategy and with approved counterparties.

Environmental implications:

None

Legal implications:

The CIPFA Code on Treasury Management requires Local Authorities to report to their full Council a forward view of treasury and prudential indicators and an MRP policy statement for approval.

Contact details:

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024 7637 6104

AGENDA ITEM NO.

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to : Cabinet – 10th February 2021

From : Executive Director – Resources

Subject : Treasury Strategy & Budgetary Framework 2021/22

Portfolio : Finance and Civic Affairs (Councillor J Jackson)

Delivering Our Future Theme 3
Priorities 1, 2 and 3

1. Purpose

- 1.1 The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.
- 1.2 Changes in the MHCLG Investment Guidance and the MHCLG Minimum Revenue Provision Guidance require a capital strategy be produced, to provide a longer-term focus to the capital plans, and including greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is included at **Appendix G**

2. Recommendations

- 2.1 That the proposed Treasury Strategy and Budgetary Framework 2021/22, as detailed in **Appendix H**, be agreed and submitted to full Council for approval including:
- Treasury strategy
 - Treasury and Prudential Indicators
 - MRP Policy Statement
 - Capital Strategy
 - Capital Resource Allocations

- 2.2 That as the recommendations from this report require Council approval on the 15th February 2021, this report be marked not for call-in on the grounds of urgency.

3. Introduction

3.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide 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. 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 Council risk or cost objectives.

- 3.3 CIPFA defines treasury management 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."

3.4 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Cabinet.

- 3.5 The three main reports are:
- **Prudential and Treasury Indicators and Treasury Strategy** (This report) - The first, and most important report covers:
 - ♦ the capital plans (including prudential indicators);
 - ♦ a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
 - ♦ the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - ♦ an investment strategy (the parameters on how investments are to be managed).
 - **A Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as

necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

- **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.6 In addition to the three main reports, the Audit & Standards Committee receive regular reports providing information on any treasury activity undertaken, the debt and investment position, performance monitoring information and predicted outturns of key prudential indicators, debt costs and investment income.

3.7 **Capital Strategy:** The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

3.8 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.9 The capital strategy is reported as an appendix to this report. However, non-treasury investments are not part of the core treasury function under security, liquidity and yield principles.

3.10 The capital strategy will show:

- The corporate governance arrangements for these types of activities
- Any service objectives relating to the investments
- The expected income, costs and resulting contribution
- The debt related to the activity and the associated interest costs
- The payback period (MRP policy)
- For non-loan type investments, the cost against the current market value
- The risks associated with each activity

3.11 **Treasury Management Strategy for 2021/22.**

The strategy for 2021/22 covers two main areas:

- **Capital Issues**
 - ♦ The capital plans and the prudential indicators;
 - ♦ The Minimum Revenue Provision (MRP) strategy.
- **Treasury Management Issues**

- ◆ The current treasury position;
- ◆ Treasury indicators which will limit the treasury risk and activities of the Council;
- ◆ Prospects for interest rates;
- ◆ The borrowing strategy;
- ◆ Policy on borrowing in advance of need;
- ◆ Debt rescheduling;
- ◆ The investment strategy;
- ◆ Creditworthiness policy;
- ◆ The policy on the use of external service providers.

3.12 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

3.13 Training

The training needs of treasury management officers are periodically reviewed. Member training is required and unfortunately it was not possible to deliver this during 2020/21 due to the ongoing pandemic and staff capacity as resources were focussed on other priorities. This is planned to take place in June 2021, after local elections.

3.14 Treasury Management Consultants

The Council uses Link Asset Services as its external treasury management advisors and recognises that responsibility for treasury management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

3.15 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of the appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

4. The Capital Prudential Indicators 2021/22 – 2023/24

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of these plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

4.2 Capital Expenditure.

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which includes the latest budget re-profiling estimates into 2021/22 for schemes slipping from 2020/21:

Capital Expenditure	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Arts, Leisure & Economic Development	0.14	0.82	0.76	-	-
Central Services & Refuse	0.39	1.19	6.33	0.74	0.60
Finance & Civic Affairs	1.63	8.07	23.72	32.27	23.52
Housing, Health & Communities	6.76	5.35	7.65	4.66	4.66
Planning & Development	0.41	0.13	-	-	-
Misc' Schemes	-	-	0.10	0.10	-
Total Non-HRA	9.33	15.56	38.56	37.77	28.78
HRA Capital Programme	17.22	17.22	25.06	26.02	19.70
Total HRA	17.22	17.22	25.06	26.02	19.70
Commercial activities/ non-financial investments *	1.04	-	-	-	-
Grand Total	27.59	32.78	63.62	63.79	48.48

* Commercial activities/ non-financial investments relate to areas such as capital expenditure on investment properties.

4.3 Full details of the proposed capital programmes for 2021/22 are included within the General Fund and HRA Budget setting reports on this agenda.

4.4 The table below summarises how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing):

Financing of Capital Expenditure	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Receipts	3.16	4.66	2.30	1.90	1.74
Capital Grants	6.67	6.65	17.54	15.21	6.43
Capital Reserves/ Revenue	14.81	17.67	15.03	11.61	10.32
Net financing need for the year	2.95	3.80	28.75	35.07	29.99
<i>Analysed as:</i>					
<i>Non-HRA</i>	<i>1.29</i>	<i>1.89</i>	<i>20.75</i>	<i>23.07</i>	<i>22.99</i>
<i>HRA</i>	<i>1.66</i>	<i>1.91</i>	<i>8.00</i>	<i>12.00</i>	<i>7.00</i>
<i>Commercial activities/ non-financial investments</i>	<i>-</i>	<i>-</i>	<i>-</i>		

- 4.5 As part of the new reporting requirements the table below shows the net financing need for commercial activities/ non-financial investments:

Commercial activities/ non-financial investments	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Expenditure	1.04	-	-	-	-
Financed from resources	1.04	-	-	-	-
Net Financing need for the year	-	-	-	-	-
Percentage of total net financing need	0%	0%	0%	0%	0%

- 4.6 As can be seen from the table above there is no future spend on commercial activities in the programme where there isn't also a wider strategic objective. This is due to a change in PWLB lending policy which now indicates that if a council has capital expenditure plans which include investment in assets purely to generate a return/ yield, then access to the discounted PWLB rates would not be available. This would increase the cost of any future borrowing potential by at least 1% and severely impact on the viability of regeneration projects.
- 4.7 Therefore a decision has been made to cease future investment in assets purely to generate a yield to ensure that the Council can have access to the discounted PWLB borrowing rate. Investment in regeneration, operational assets or residential dwellings continue to be allowable under the new PWLB framework as these activities have broader strategic objectives and are not undertaken purely for yield
- 4.8 **The Council's Borrowing Need (the Capital Financing Requirement).** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been financed, will increase the CFR.

- 4.9 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.
- 4.10 The CFR also includes any other long term liabilities (e.g. finance leases and Private Finance Initiative (PFI) schemes). Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council does not envisage any such schemes within the CFR.
- 4.11 The Council is asked to approve the CFR projections below:

Capital Expenditure	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Financing Requirement					
CFR - non housing	12.46	13.99	34.35	56.98	79.31
CFR - housing	78.31	80.23	88.23	100.23	107.23
CFR - commercial activities/ non-financial investments	2.04	1.97	1.89	1.82	1.75
Total CFR	92.81	96.19	124.47	159.03	188.29
<i>Movement in CFR</i>	2.52	3.38	28.28	34.56	29.26
Movement in CFR represented by:					
Net financing need for the year (from prev table)	2.95	3.80	28.75	35.07	29.99
GF - Minimum Revenue Provision	(0.43)	(0.42)	(0.47)	(0.51)	(0.73)
HRA - Voluntary Repayment of Debt	-	-	-	-	-
Movement in CFR	2.52	3.38	28.28	34.56	29.26

- 4.12 The above table demonstrates that the CFR for both housing and non housing are set to increase quite substantially over the period. For the non-housing CFR, this is due to investment in town centre regeneration (although future years is only provisional and subject to future viability assessments and approvals). The HRA CFR is projected to increase due to large investment in creation of new dwellings within the HRA.
- 4.13 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to an authority's overall financial position. The CFR in relation to commercial activity is declining year on year as the MRP applied reduces the outstanding balance and there is no investment planned in this area.

4.14 **Minimum Revenue Provision (MRP) Policy Statement.**

The Council is required to pay off an element of the accumulated General Fund

capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although is it allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

4.15 MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement as detailed in **Appendix A**.

4.16 Core Funds and Expected Investment Balances.

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Fund balances/ reserves	23.79	18.81	15.50	14.45	14.84
Other Resources	17.89	13.25	16.00	16.00	16.00
Total core funds	41.68	32.06	31.50	30.45	30.84
Working capital *	4.24	18.42	6.26	6.37	5.74
Over/ (Under) borrowing	(15.60)	(23.48)	(21.76)	(21.82)	(20.58)
Expected investments	30.32	27.00	16.00	15.00	16.00

4.17 Working capital balances are expected to be exceptionally high at the end of 2020/21 due to the timing differences of grants received from central government regarding Covid (including NDR Section 31 and Covid Grants) and the associated accounting treatment which will require them to be held as creditors at year end for amounts not yet utilised.

4.18 Investment balances are forecast to decrease over the medium term as we continue to remain in an under-borrowed position and earmarked reserves are forecast to be used to support the capital programme.

4.19 Affordability Prudential Indicators.

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

4.20 Ratio of financing costs to net revenue stream: This indicator identified the trend of cost of capital (borrowing and other long term obligation costs net of investment income) against the revenue stream:

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Non-HRA	3.8%	4.4%	5.9%	7.1%	9.1%
HRA	8.3%	8.3%	8.9%	9.2%	9.2%

4.21 The Non-HRA indicator increases through the three year period of this report due to exceptionally low investment rates reducing the net revenue stream to the council and also the increase in financing costs in 2023/24 as Abbey Street Phase 1 MRP starts to be charged to the General Fund. Similarly the HRA indicator shows an increase year on year as investment returns decline. Although there will be additional debt costs for funding new build expenditure, these will be mitigated by additional rent income.

4.22 HRA Ratios

As part of the self-financing regime it is considered best practice to include indicators to reflect the level of debt that the HRA holds and compare to its revenues and number of dwellings held. The following table provides this information as at the end of each financial year.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA Debt	£78.31m	£80.23m	£88.23m	£100.23m	£107.23m
HRA Revenues (rent income)	£23.07m	£23.02m	£23.38m	£23.89m	£24.58m
Ratio of debt to revenues	339%	349%	377%	420%	436%
Number of dwellings (avg)	5,710	5,690	5,659	5,648	5,654
Debt per dwelling	£13,715	£14,101	£15,591	£17,746	£18,965

5. Borrowing.

5.1 The capital expenditure plans set out in section 4.2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/ prudential indicators, the current and projected debt positions and the annual investment strategy.

5.2 Current portfolio position.

The overall treasury management portfolio as at 31st March 2020 and the

position as at the end of December 2020 are shown below for both borrowing and investments:

	31-Mar-20		31-Dec-20	
	Principal Amount £000	Average Rate £000	Principal Amount £000	Average Rate £000
Investments placed for less than 1 year				
Fixed Rate:				
Fixed Term Deposit (365 days or less)	7,000	1.05%	10,000	0.15%
Certificates of Deposit (365 days or less)	9,000	1.00%	3,000	0.26%
Total Fixed Rate	16,000	1.02%	13,000	0.18%
Variable Rate Deposits				
Notice Account	8,000	0.95%	8,000	0.58%
MMFs/ Bank	4,318	0.49%	19,723	0.02%
Total Variable Rate	12,318	0.79%	27,723	0.18%
Total Investments placed for less than 1 year	28,318	0.92%	40,723	0.18%
Investments placed for more than 1 year				
Property Fund	2,000	4.58%	2,000	5.84%
Total Investments placed for more than 1 year	2,000	4.58%	2,000	5.84%
Total Managed Investments	30,318	1.16%	42,723	0.44%
Borrowing				
General Fund:				
PWLB	7,750	4.67%	6,750	4.61%
Market	2,000	4.10%	2,000	4.10%
Total General Fund	9,750	4.55%	8,750	4.49%
Housing Revenue Account:				
PWLB	67,455	2.97%	63,955	2.99%
Total Housing Revenue Account	67,455	2.97%	63,955	2.99%
Total Borrowing	77,205	3.17%	72,705	3.17%
Net Debt	46,887		29,982	

- 5.3 As at the end of December, investment balances were significantly higher than those held at the end of March. This is due to cash flow timings and it is predicted that investment balances will drop to approximately £27m by the end of the financial year as grants to businesses continue to be paid and Council Tax and NDR income from direct debits reduces in February and March.
- 5.4 Investments placed are made up from a number of cash resources and are not readily available to service day to day spend. These include, General Fund and HRA Balances, capital receipts, specific grants and contributions (e.g.

S106, HEART) and earmarked reserves held for specific purposes (e.g. business rates volatility, future capital spend, risk management). Investment balances can vary significantly throughout the year due to cash flow timings. An example of this would be Council Tax direct debits being received over 10 months commencing April, whereas salary payments are paid over 12 months.

- 5.5 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
External Debt					
Debt at 1 April	80.71	77.21	72.71	102.71	137.21
Debt Maturities	(3.50)	(4.50)	-	(8.50)	(7.50)
New Debt Taken	-	-	30.00	43.00	38.00
Debt at 31 March	77.21	72.71	102.71	137.21	167.71
The Capital Financing Requirement	92.81	96.19	124.47	159.03	188.29
Over / (Under) Borrowing	(15.60)	(23.48)	(21.76)	(21.82)	(20.58)

- 5.6 Latest cash flow forecasts and interest rate predictions indicate that it is affordable in the short term to maintain the Council's under-borrowed position. This position will be closely monitored throughout the year to ensure that the Council is not exposed to financial risks (i.e. re-financing and interest rate risks)
- 5.7 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 5.8 The Executive Director – Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

6. Treasury Indicators: Limits to Borrowing Activity

6.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be higher or lower depending on the levels of actual debt.

Operational Boundary	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Debt	96.19	123.47	158.03	187.29
Other long term liabilities	-	1.00	1.00	1.00
Total	96.19	124.47	159.03	188.29

6.2 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be affordable in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Council is asked to approve the following Authorised Limit:

Authorised Limit	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Debt (CFR)	96.19	123.47	158.03	187.29
Contingency (emergency cashflow borrowing/ borrowing in advance of need)	10.00	13.00	16.00	19.00
Other long term liabilities	4.00	4.00	4.00	4.00
Total	110.19	140.47	178.03	210.29

7. Prospects for Interest Rates.

- 7.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view:

	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2021	0.10%	0.10%	0.20%	0.80%	1.50%	1.30%
June 2021	0.10%	0.10%	0.20%	0.80%	1.60%	1.40%
September 2021	0.10%	0.10%	0.20%	0.80%	1.60%	1.40%
December 2021	0.10%	0.10%	0.20%	0.80%	1.60%	1.40%
March 2022	0.10%	0.10%	0.20%	0.90%	1.60%	1.40%
June 2022	0.10%	0.10%	0.20%	0.90%	1.70%	1.50%
September 2022	0.10%	0.10%	0.20%	0.90%	1.70%	1.50%
December 2022	0.10%	0.10%	0.20%	0.90%	1.70%	1.50%
March 2023	0.10%	0.10%	0.20%	0.90%	1.70%	1.50%
June 2023	0.10%	0.10%	0.20%	1.00%	1.80%	1.60%
September 2023	0.10%	0.10%	0.20%	1.00%	1.80%	1.60%
December 2023	0.10%	0.10%	0.20%	1.00%	1.80%	1.60%
March 2024	0.10%	0.10%	0.20%	1.00%	1.80%	1.60%

- 7.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged.

- 7.3 In summary:

- Investment returns are likely to remain exceptionally low during 2021/22 (even at 0% in some circumstances) with little increase in the following two years.
- The policy of avoiding new physical debt to replace maturing debt or to fund historic prudential borrowing by running down cash balances has served well over the last few years and will continue at manageable levels over the coming years to avoid cost of carry. However, for major projects it will be necessary to take new debt from the markets.

8. The Borrowing Strategy.

- 8.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy

is prudent as investment returns remain low and also reduces investment counterparty risk.

- 8.2 Against this background and risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Executive Director – Resources with the Head of Financial Services will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances:
- If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase or risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 8.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.
- 8.4 The overall debt strategy for 2021/22 is to monitor the existing under-borrowed position and replace, in-part with new debt at the most advantageous time (i.e. minimal cost of carry implications in the medium term) should forecasts indicate a rapid increase in borrowing costs.
- 8.5 Furthermore, the large increase in borrowing need for both the General Fund and the HRA will require debt to be taken from either PWLB or other markets to fund the significant investment the Council is proposing to regenerate the borough and build new properties.
- 8.6 **PWLB Loans:** On 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
 - PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
 - Local Infrastructure Rate is gilt plus 60bps (G+60bps)
- 8.7 As the long term forecast for Bank Rate is 2.00% and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows.

8.8 **Other sources of funding:** Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

8.9 **Maturity Structure of Borrowing** – These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicator and limits:

Maturity Structure of fixed interest rate borrowing as at end of 2021/22			
		Lower	Upper
Under 12 months		0%	20%
12 months to 2 years		0%	25%
2 years to 5 years		0%	50%
5 years to 10 years		0%	75%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%

9. Policy on Borrowing in Advance of Need.

- 9.1 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 9.2 Any borrowing in advance will be made within the following constraints that the Council would not look to borrow more than 2 years in advance of need and be limited to the expected increase in borrowing need for that period.
- 9.3 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting

mechanism.

10. Debt Rescheduling.

- 10.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position, the recent increase in the cost of borrowing at the PWLB and the size of the cost of debt repayment (premiums incurred).
- 10.2 The reasons for any rescheduling to take place will include:
- The generation of cash savings and/ or discounted cash flow savings;
 - Helping to fulfil the treasury strategy;
 - Enhance the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).
- 10.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 10.4 Any rescheduling will be reported to the Audit and Standards Committee as part of the monitoring reports and to the Cabinet and Council as part of either the mid-year review or annual treasury outturn reports.

11. Annual Investment Strategy

11.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This annual investment strategy deals solely with financial investments (as managed by the treasury team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

- 11.2 The Council’s investment policy has regard to the MHCLG’s Guidance on Local Government Investments (“the Guidance”) and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the CIPFA TM Code”). The Council’s investment priorities will be security first, liquidity second, then return.
- 11.3 In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies a minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

- 11.4 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector and both a micro and macro basis and in relation to economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets and to this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- 11.5 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 11.6 Investment instruments identified for use in the financial year are listed in **Appendix C** under the ‘specified’ and ‘non-specified’ investments categories.

12. Creditworthiness Policy

- 12.1 This Council continues to apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
 - CDS spreads to give early warnings of likely changes in credit ratings;
 - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 12.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments.
- 12.3 The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency’s ratings.
- 12.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 12.5 The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

12.6 Therefore, based on the above information, the approved counterparty list will be amended immediately upon receipt of rating change notifications and will be completely refreshed weekly.

12.7 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on external support for banks to help support its decision making process.

12.8 All investments will be denominated in sterling.

12.9 **Country Limits.**

The Council has determined that it will only use approved counterparties from countries from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this criteria as at January 2021 are shown in **Appendix D**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

12.10 Ethical factors will be taken into consideration before a country is included within the final approved counterparty list.

12.11 Investments in non-UK banks or institutions that meet the criteria above will be limited to £6m in any one country within an overall maximum of £8m of the investment portfolio.

13. **Investment Strategy**

13.1 Investments will be made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates. (i.e. rates for investments up to 12 months).

13.2 The budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

- 2020/21 0.10%
- 2021/22 0.10%
- 2022/23 0.10%
- 2023/24 0.10%
- 2024/25 0.25%

- 13.3 The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and administered to the population.
- 13.4 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. Increases in Bank Rate are likely to be some years away giving the underlying economic expectations.
- 13.5 **Negative Investment Rates:** While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.
- 13.6 As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.
- 13.7 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.
- 13.8 **Investment treasury indicator and limit** – total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year end.
- 13.9 The Council is asked to approve to approve the treasury indicator and limit:

Maximum principal sums invested > 365 days			
	2021/22	2022/23	2023/24
Principal sums invested for more than 365 days	£7.00m	£7.00m	£5.00m

13.10 The maximum sums invested for more than 365 days would include fixed term deposits, balances held in a property fund and bonds. This indicator is a limit and not a firm expectation of balances that will be placed for more than 365 days. Long term deposits will only be placed after reference to our lending criteria, counterparty quality, cash flow forecasts and interest rate forecasts.

13.11 The indicator has been reduced from the current £10m level and is forecast to drop further across the three year cycle due to reducing investment balances forecast.

13.12 For its cash flow generated balances, the Council will seek to utilise its business account, notice accounts, money market funds and short dated deposits in order to benefit from the compounding of interest.

14. End of year investment report

14.1 At the end of the financial year, the Council will receive a report on the investment activity as part of its Annual Treasury Report.

15. Scheme of delegation.

15.1 There was a requirement of the 2009 Guidance notes to report to Council a scheme of delegation. Although this requirement does not appear within the 2017 revision it is still considered best practice to report this. Therefore **Appendix E** of this report details the scheme of delegation proposed for this Council.

16. Role of the Section 151 Officer.

16.1 **Appendix F** gives details of the Treasury Management role of the Section 151.

17. Conclusion

17.1 The Head of Financial Services, with the support of the Treasury Management section and Link Asset Services, will monitor economies in the UK and overseas, regularly review the debt portfolio and the creditworthiness of individual institutions, utilising a methodology which does not rely solely on credit ratings to ensure that any investments made are with countries and institutions that are deemed of high credit quality to reduce the risk of loss of principal invested.

SIMONE HINES

APPENDICES

- A. MRP strategy**
- B. Prudential and Treasury Indicators**
- C. Treasury Management Practices (TMP1) – Credit and Counterparty Risk Management**
- D. Countries credit ratings for investments**
- E. Treasury management scheme of delegation**
- F. The Treasury Management Role of the Section 151 Officer**
- G. Capital Strategy**
- H. Treasury Strategy and Budgetary Framework 2021/22**

Minimum Revenue Provision – an introduction

What is a Minimum Revenue Provision?

Capital expenditure is generally expenditure on assets which have a life of more than one year e.g. buildings, vehicles, machinery etc. Where this expenditure is financed by borrowing it would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred. Therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined under Guidance.

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

MINIMUM REVENUE PROVISION POLICY STATEMENT 2021/22

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

The MRP Policy Statement for 2021/21 is:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will follow existing practice outlined in former MHCLG regulations.

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- From 1st April 2008 for all unsupported borrowing (including PFI and finance leases), MRP will be based on the estimated life of the assets once operational, in accordance with proposed regulations. Therefore, no MRP will be charged to the General Fund for capital expenditure funded through unsupported borrowing until the year following the asset becoming operational.
- The annuity method will be utilised for calculation of the MRP amount and will reference the appropriate PWLB rate at 31st March.

This option provides for a reduction in the borrowing need over approximately the assets life.

- Where unsupported borrowing is taken to finance an asset with the expectation for sale and the generation of a capital receipt no MRP will be charged. Once the

asset has been sold and sale proceeds received the capital receipt will be applied to reduce the CFR up to the value of the unsupported borrowing taken. Any shortfall in receipt against the borrowing will be chargeable as Minimum Revenue Provision in the year of sale.

- No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect.
- Repayments included in finance leases are applied as MRP.

MRP Overpayments – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up to 31 March 2021, the total VRP overpayments for the General Fund was nil.

APPENDIX B – Agenda Item

PRUDENTIAL AND TREASURY INDICATORS

Prudential indicators	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimated Out-turn	Estimate	Estimate	Estimate
Capital Expenditure					
Non - HRA	£9.33m	£15.56m	£38.56m	£37.77m	£28.78m
Non - HRA (commercial activities)	£1.04m	£0.00m	£0.00m	£0.00m	£0.00m
HRA	£17.22m	£17.22m	£25.06m	£26.02m	£19.70m
TOTAL	£27.59m	£32.78m	£63.62m	£63.79m	£48.48m
Ratio of financing costs to net revenue stream					
Non - HRA (total)	3.8%	4.4%	5.9%	7.1%	9.1%
HRA	8.3%	8.3%	8.9%	9.2%	9.2%
Prudential Borrowing Requirement					
Non - HRA	£1.29m	£1.89m	£20.75m	£23.07m	£22.99m
Non - HRA (commercial activities)	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m
HRA	£1.66m	£1.91m	£8.00m	£12.00m	£7.00m
TOTAL	£2.95m	£3.80m	£28.75m	£35.07m	£29.99m
Capital Financing Requirement as at 31 March					
Non - HRA	£12.46m	£13.99m	£34.35m	£56.98m	£79.31m
Non - HRA (commercial activities)	£2.04m	£1.97m	£1.89m	£1.82m	£1.75m
HRA	£78.31m	£80.23m	£88.23m	£100.23m	£107.23m
TOTAL	£92.81m	£96.19m	£124.47m	£159.03m	£188.29m
Treasury management indicators	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised Indicators	Proposed Indicators	Proposed Indicators	Proposed Indicators
Authorised Limit for external debt -					
borrowing		£106.19m	£136.47m	£174.03m	£206.29m
other long term liabilities		£4.00m	£4.00m	£4.00m	£4.00m
TOTAL		£110.19m	£140.47m	£178.03m	£210.29m
Operational Boundary for external debt -					
borrowing		£96.19m	£123.47m	£158.03m	£187.29m
other long term liabilities		£0.00m	£1.00m	£1.00m	£1.00m
TOTAL		£96.19m	£124.47m	£159.03m	£188.29m
Gross External Debt at 31 March	£77.21m	£72.71m	£102.71m	£137.21m	£167.71m
Upper limit for total principal sums invested for over 365 days	Actual Max £2m	£10.00m	£7.00m	£7.00m	£5.00m

Maturity structure of fixed rate borrowing 2021/22	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months to 2 years	25%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
20 years to 30 years	100%	0%
30 years to 40 years	100%	0%
40 years to 50 years	100%	0%

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments: All such investments will be sterling denominated with maturities up to a maximum of 1 year and meeting the minimum ‘high’ rating criteria where applicable. (This will include the UK and all other countries that meet the minimum investment rating specification)

Non-Specified Investments: These are any investments which do not meet the Specified Investment criteria. A maximum of £10m will be held in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments:

	Minimum Credit Criteria / Link Asset Services Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution or Fund
DMADF – UK Government	n/a	6 months	100%
UK Government Gilts	UK Sovereign Rating	1 year *	100%
UK Government Treasury Bills	UK Sovereign Rating	1 year	100%
Bonds issued by Multilateral Development Banks	AAA	12 months	£8m
Money Market Funds CNAV	AAA	Liquid	£8m
Money Market Funds LVNAV	AAA	Liquid	£8m
Money Market Funds VNAV	AAA	Liquid	£8m
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	Liquid	£8m
Ultra-Short Dated Bond Funds with a credit score of 1.50	AAA	Liquid	£8m
UK Local Authorities	n/a	1 year *	100%
Term deposits, notice accounts or instant access cash accounts with Banks & Building Societies	Yellow	1 year *	£10m
	Purple	1 year *	£10m
	Blue	1 year	£10m
	Orange	1 year	£10m
	Red	6 months	£8m
	Green	100 days	£8m
Gilt Funds	UK Sovereign Rating	Liquid	100%

	Minimum Credit Criteria / Link Asset Services Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution or Fund
Certificates of Deposit or Corporate Bonds with Banks & Building Societies	Yellow	1 year *	£10m
	Purple	1 year *	£10m
	Blue	1 year	£10m
	Orange	1 year	£10m
	Red	6 months	£8m
	Green	100 days	£8m
Corporate Bonds	A	1 year *	£3m
Covered Bonds	Initial Rating AAA (minimum subsequent rating A)	1 year *	£3m
Housing Associations	Yellow	1 year *	£10m
	Purple	1 year *	£10m
	Blue	1 year	£10m
	Orange	1 year	£10m
	Red	6 months	£8m
	Green	100 days	£8m

* Deposits are allowable for periods of greater than 1 year but will fall within the Non Specified Investments category as detailed below.

Non Specified Investments:

	Minimum Credit Criteria / Link Asset Services Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution or Fund
Council's own banker <i>(should their credit rating not meet the criteria for specified investments)</i>	No colour	Liquid	£2m
Term deposits with Banks & Building Societies	Yellow	5 years	£10m
	Purple	2 years	£10m
Certificates of Deposit or Corporate Bonds with Banks & Building Societies	Yellow	5 years	£10m
	Purple	2 years	£10m
UK Government Gilts	UK Sovereign Rating	5 years	100%
UK Local Authorities	n/a	5 years	100%
Gilt Funds	UK Sovereign Rating	5 years	100%
Corporate Bonds/ Floating Rate Notes	A	2 years	£4m
Covered Bonds/ Covered Floating Rate Notes	Initial Rating AAA (minimum subsequent rating A)	5 years	£4m
Property Funds			£5m
Housing Associations	Yellow	5 years	£4m
	Purple	2 years	£4m

Accounting treatment of investments: The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Financial Group Limits: In addition to the institution limits set above for banks and building societies, an additional limit of £12m per banking group is set.

Countries Credit Rates for Investments as at 20th January 2021

(Based on lowest rating from Fitch, Moody's and S&P and also have banks operating in sterling markets (except Hong Kong, Norway & Luxembourg at time of writing) and have a green or higher credit rating assessment).

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

Note: Other ethical factors will be taken into consideration before a country is included in the Council's final counterparty list.

Treasury Management Scheme of Delegation

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual strategy.
- Budget approval.

(ii) Body with responsibility for scrutiny - Cabinet

- Approval of/ amendments to the treasury management policy statement and treasury management practices.
- Budget consideration.
- Approval of division of responsibilities.
- Receiving and reviewing reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Body with responsibility for receiving monitoring reports - Audit and Standards Committee

- Reviewing the quarterly treasury activity reports.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer – Executive Director - Resources

- Recommending clauses, treasury management policy/ practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council.
- Ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- Provision to members of a schedule of non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out.

Nuneaton & Bedworth Borough Council

Capital Strategy

V3.0
February 2021

1. Introduction

- 1.1. In December 2017, CIPFA issued a revised Prudential Code with a focus on non-treasury investments and especially on the purchase of property with the intention of generating income. Such purchases may involve undertaking external borrowing to finance these acquisitions or utilising existing cash balances which exposes the council to risk. The revised code now required all authorities to produce a detailed Capital Strategy.
- 1.2. The Capital Strategy will form part of the Council's overall Corporate Planning Framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned over a medium term (3 year) planning horizon.
- 1.3. This strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.
- 1.4. Capital investment is an important part in ensuring that the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of those resources.
- 1.5. The Strategy sets out the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Plan (MTFP).
- 1.6. It sets out the strategic influences on the Council's capital investment plan and how the Council is going to work with these influences to bring about the best advantage to meet local needs, including working with partners, with the aim to drive economic regeneration and deliver corporate objectives.
- 1.7. It also demonstrates that the Council has regard to the Prudential Code for Capital Finance by giving a clear and concise view of how much it can afford to borrow and its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed.
- 1.8. The Capital Strategy is a live and dynamic document, which will update and evolve as strategic influences and priorities change. The Strategy will be reviewed annually and updated and presented to Council in February each year as part of the annual budget setting process.

2. Aims of the Capital Strategy and Link to Corporate Outcomes

- 2.1. The definition of an investment as provided by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily to generate financial returns, such as investment property portfolios. This may include investments that are not managed as part of the normal treasury management processes or under treasury management delegations.
- 2.2. The key aims of the Capital Strategy are to:
- provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the Council's Vision as set out in the Corporate Plan;
 - Deliver projects that focus on delivering a number of corporate and financial priorities:
 - ◇ Protecting the most vulnerable and improving the quality of life of residents
 - ◇ Grow the economy
 - ◇ Spend to save initiatives which generate efficiencies in the council's revenue budget
 - ◇ Create sustainable income – business rates or council tax
 - ◇ Spend to earn income – rents, interest, dividend, capital appreciation
 - ◇ Deliver budget decisions
 - ◇ Attract significant third party funding to the borough
 - ◇ Address major infrastructure investment
 - ◇ Deliver economic outcomes of jobs growth
 - Sets out how the Council identifies, programmes and prioritises capital requirements and proposals following a robust appraisal process including evaluation of value for money, affordability and risk.
 - Consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment
 - Identify the resources available for capital investment over the MTFP planning period
 - Ensure the Strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return, and
 - Establish effective arrangements of project outcomes, budget profiling, deliverability, value for money and security of investment.

3. The Capital Appraisal Process

- 3.1. As part of the Council's processes, there is a requirement to consider the capital resources needed to delivery services now and into the future. The MTFP and HRA Business Plan also inform the capital strategy.
- 3.2. All proposed capital projects should be prepared with regard to the following list of criteria:
 - Invest to save
 - Avoidance of cost
 - Health & Safety or other mandatory requirement (e.g. D.D.A)
 - Cabinet pledge/ priority
 - Maintenance of services and assets
 - How it contributes to the Council's Key Aims and Objectives.
- 3.3. Any proposed schemes should also consider the following information:
 - Cash flows – Capital and Revenue
 - External funding available
 - Background/ Purpose
 - Resource implications (e.g. human resources)
 - Benefits
 - Assumptions
 - Project Approach
 - Risks
 - Dependencies
 - Do nothing option
 - Measures of success
- 3.4. Corporate Asset Management Team (CAMT) is an internal working group which with membership from Executive Directors, Directors, Head of Financial Services (plus other key finance officers), Head of Estates and Emergency Planning and the ICT Client Manager. CAMT considers proposed schemes prior to consideration by Members to ensure that there is sufficient information and appropriate challenge to allow schemes to be prioritised against resources available.

4. Approach to Risk Management

- 4.1. The Council is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence.

4.2. The agreed roles and responsibilities within the risk management framework are outlined in the table below:

Group /Individual	Role
Audit and Standards Committee	<ul style="list-style-type: none"> • Monitor the effectiveness of the Councils risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. • To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	<ul style="list-style-type: none"> • To provide strategic direction with regard to risk management.
Executive Directors / Directors	<ul style="list-style-type: none"> • To provide leadership for the process of managing risks. • To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals. • To identify and manage business /operational risks. • To ensure that the management of risk is monitored as part of the performance management process. • To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. • To review and update their risk register on at least an annual basis but appropriate to the risk. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk.
All staff	<ul style="list-style-type: none"> • To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks.
Head of Audit and Governance	<ul style="list-style-type: none"> • To ensure that the risk management strategy is regularly reviewed and updated. • Promote and support the risk management process throughout the Council. • Advise and assist managers in the identification of risks.

5. Monitoring of Capital Schemes

- 5.1. The monitoring of progress on individual schemes is reported to the Corporate Asset Management Team on a bi-monthly basis. A summary of overall spend compared to budget is reported to Management Team monthly and Internal Overview and Scrutiny Panel on a quarterly basis as part of the Strategic Performance Report with a commentary for significant variances.
- 5.2. Cabinet receive regular programme updates with any revisions required (e.g. new proposals or re-profiling requests). A Capital Outturn Report is also prepared for Cabinet in June detailing the final position for the financial year.

6. Asset Held by the Council

- 6.1. The majority of the Councils asset base is derived from 3 classes with the majority of capital spend allocated to these areas:

	Valuation as at 31 Mar 20	Outstanding prudential borrowing as at 31 Mar 20	Prudential debt as percentage of asset value	<i>Capital Investment 2018/19 to 2019/20 (acquisitions and any subsequent expenditure)</i>
Council Dwellings	£210.6m	-	-	£23.3m
Other Land & Buildings	£64.1m	£4.72m	7.4%	£8.5m
Investment Properties	£30.1m	£2.04m	6.8%	£3.9m

- 6.2. The above debt totals are purely prudential borrowing values and therefore exclude amounts held as part of the previous capital financing regulation, e.g. supported borrowing and amounts required to be taken as part of the 2012 HRA self-financing settlement.
- 6.3. Investment Properties are assets held by the Council solely for income generation or for capital gain. Assets held for any other strategic objective (e.g. regeneration) would not be held in this category but more likely be classified within Other Land and Buildings.

7. Priority Areas for Investment

- 7.1. Underlying the Capital Strategy is the recognition that the financial resources available to meet corporate priorities are constrained in the current economic and political climate. Therefore, the Council must rely more on internal resources and seek ways in which investment decisions can be no less than

self sustaining or generate positive returns both in meeting corporate objectives and producing revenue savings.

- 7.2. Nuneaton and Bedworth Borough Council is an HRA authority and holds and maintains Council Dwellings. Capital expenditure needs within the HRA are driven primarily by maintaining decent homes standards, ensuring that the properties are safe and comply with any relevant legislative standards, with a vision to increase the stock holdings, either through acquisition or new build. The latter objective is subject to sufficient resources and maintaining a viable HRA business plan over the 30 year time horizon.
- 7.3. The wider regeneration of the borough relies on investment into new jobs, economic growth, commercial property and homes. These in turn contribute towards council funding in the longer term in the form of additional council tax, business rates or land sale receipts. In order for the Council to ensure it can promote future opportunity, the main priorities are set out as follows:
- **Economic Development and Investment** – The Council will continue to seek to invest in development projects or opportunities that generate longer term growth. These projects will yield a combination of revenue generation (business rates rent or interest), jobs and capital infrastructure investment. Particular focus will be on regeneration of the Town Centres, linked to bids to the governments Future High St and Towns Funds schemes.
 - **Disabled Facilities Grants** – The Council receives capital grant funding to meet the cost of providing adaptations and facilities to enable disabled persons to continue to live in their homes for longer.
 - **Maintenance and renewal of the Council's Assets** – This includes the Town Hall, Civic Hall, Museum, Depot, leisure facilities, car parks, retail and commercial sites, IT infrastructure and vehicles. In December 2019 Cabinet agreed a Leisure Strategy which includes the rebuild and/or significant improvement to the Councils Leisure Centres and will involve capital investment of up to £40m.
 - **Other initiatives based on sustainable business plans** – Subject to full cost recovery business cases.
- 7.4. The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, with the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

8. Capital Funding Streams

- 8.1. Decisions on capital investment are made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts,

third party contributions/ external grants, contributions from revenue and borrowing. The following is the priority order in how funding will be applied:

- **External Grants** – A significant part of capital funding comes through as external grant allocations from central government departments. The Council currently receives Disabled Facilities Grant and has been granted a provisional allocation from the Future High Streets Fund but continues to explore other options for funding such as Homes England, Sports England and funds to support economic development and housing growth delivery.
- **Section 106 (S106) and External Contributions** – There is a possibility that some projects can be funded or part funded by contributions from private sector developers and partners. Growth in Nuneaton and Bedworth has resulted in S106 contributions from developers to support specific infrastructure projects throughout the borough. However, it should be noted that reliance on this funding going forward is dependent on the Council's policy on S106 contributions and that schemes are affordable against economic and market conditions, which is currently a challenge. The Council is also in the process of implementing a Community Infrastructure Levy, subject to viability considerations.
- **Capital Receipts** – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. While the Council has benefitted from this in recent years, the assets that are retained by the Council are necessary to deliver services or generate income. There are parcels of land where the Council is actively exploring options for building dwellings or disposal. Any capital receipts generated would be re-invested in the Capital Programme, with particular focus on Town Centre and Leisure developments.
- **Revenue Contributions** –
 - ◇ The council has earmarked reserves set aside to support specific capital investment projects (e.g. IT infrastructure replacement, vehicles, CCTV, property purchases etc) and also to support invest to save initiatives. These reserves receive a contribution each financial year from the revenue budgets to create a pot to draw from as and when required.
 - ◇ The Council can also use direct revenue contributions to fund capital projects. However, austerity on the Council's General Fund revenue budgets has reduced options in this area.
- **Specific Reserves** – The Housing Revenue Account is mandated to charge the revenue account for depreciation on the assets that it holds. This annual charge is held in the Major Repairs Reserve and is ringfenced to fund capital expenditure incurred by the HRA.
- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allows councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure the unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as

an option to front fund developments to stimulate growth. This type of borrowing has revenue implications for the Council in the form of financing costs.

9. Commercial Activity

9.1. As referred to in section 6.1, the Council holds a significant value of investment properties to generate income to the General Fund. This is done either through leasing directly to tenants and receiving rental income, or leasing properties to the Councils trading arm NABCEL.

9.2. The categories of investment properties held can be broken down further. However, due to current internal reporting it is not currently possible to break down the income generated into these sub-categories. However, the overall position can be shown below:

	Valuation 31 March 2019	Valuation 31 March 2020
Non NBBC Office accommodation	£ 1.06m	£ 1.06m
Retail units	£17.03m	£17.15m
Industrial Units	£ 2.23m	£ 2.27m
Residential	£ 0.35m	£ 0.35m
NABCEL	£ 7.75m	£ 7.88m
Other	£ 1.16m	£ 1.41m
Total	£29.58m	£30.12m
Gross Income Generated in year	£ 1.42m	£ 1.64m
gross yield	4.8%	4.8%
Net Income in year - after costs	£ 1.08m	£ 0.72m
net yield	3.7%	2.4%

9.3. It should be noted that some of the properties included in the above list are not held for commercial activities and the rental income chargeable may not be at a commercial market rent. There may also be instances where some of the properties are void during the year and therefore as no income is generated for these periods this would deflate the overall yield generated.

9.4. Any new commercial investment activity will be subject to an assessment which will include location and ethical aspects for each opportunity. In addition to this, further assessment will be undertaken against a matrix of criteria. This will include the following:

- Location
- Covenant (including status of current owners)
- Size
- Lease length
- Tenure
- Repairing obligations

- Net yield
 - Development potential
- 9.5. Each property investment opportunity will be assessed against a set of criteria which will be recorded for future reference.
- 9.6. Given the various dynamics for each property sector, the criteria for each asset will vary but should follow the core principles of
- Individual properties will be fully financially and physically appraised using a risk and return matrix based on the criteria at 9.4. This will be specific to each and every property proposed for purchase.
 - Any acquisitions or developments to be leased to NABCEL must meet the yield criteria set out in the business case.
 - Location will be dictated by opportunity to acquire investments that meet this Strategy but will largely be across the functional economic area of the Borough
 - Lease length will be determined by market forces but the premise will be to maximise.
 - Market Rent should be equal to or above passing rent.
 - Market sectors and locations with rental growth and good letting prospects will be actively sought.
- 9.7. Further performance measures, portfolio analysis and valuation, as required, will be undertaken to allow for a purchase or not purchase decision. For example these could include:
- The fabric or structural condition of the property
 - The ground conditions
 - The surrounding land uses
 - Planning approvals of that and any other surrounding developments, in situ or proposed.
- 9.8. All of the above could have a bearing on value and on whether or not the opportunity is one to pursue.

10. HRA Business Plan

- 10.1. The HRA Financial Business Plan models the 30 year cash flows of the HRA and the capital spend needs to ensure that the HRA remains viable over the long term.
- 10.2. The spending needs of maintaining our existing stock is the priority and serves as the starting position when reviewing the plan each year during the budget setting process. Any surpluses can then be utilised to provide additional dwellings either through acquisition or new build.

- 10.3. During 2018, MHCLG announced that the debt cap, which had been applied to the HRA since 2012, was to be removed. This effectively meant that the HRA was free to borrow for a capital purpose without limit, so long as it still satisfied the requirement of the prudential code in that it was affordable and prudent.
- 10.4. Extensive modelling has been undertaken to ensure that new build and acquisitions factored into the updated business plan are both achievable from a delivery perspective, and affordable with realistic financial assumptions.
- 10.5. The value of dwellings held by the council was £210.6m as at 31st March 2020 and comprised 5,703 dwellings (3,360 houses and bungalows and 2,343 flats and maisonettes).

11. Capital Programme

- 11.1. The capital programmes for both the General Fund and the HRA are approved by Council each February as part of the budget setting agenda. This includes the sources of funded for the two programmes.
- 11.2. A five year forward looking summary forecast is included in the following tables. These budgets are purely investment in the Councils assets and do not include grant payments to third parties (e.g. HEART) as they do not generate an asset for the Council, and also exclude payments to acquire Camp Hill properties as part of the Camp Hill regeneration scheme.

11.3. General Fund:

Category of Expenditure	2020/21 Estimate	2021/22 Budget	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/16 Forecast
Maintaining/ Improving existing assets	£4.02m	£1.05m	£0.25m	£0.11m	-	-
Leisure Strategy	£0.40m	£0.76m	-	-	-	-
Acquisitions	£3.45m	£0.30m	-	-	-	-
Regeneration	-	£23.33m	£32.27m	£23.52m	£3.82m	-
Strategic (MRF)	-	£4.49m				
Vehicle/ IT	£1.14m	£0.88m	£0.49m	£0.49m	£0.49m	£0.49m
Contingency	-	£0.10m	£0.10m	-	-	-
Total	£9.01m	£30.91m	£33.11m	£24.12m	£4.31m	£0.49m

Financing:						
Grants/ Contributions	£2.51m	£7.72m	£9.20m	£0.53m	-	-
Capital Receipts	£0.46m	£0.65m	-	-	-	-
Reserves/ Revenue	£4.15m	£1.79m	£0.84m	£0.60m	£0.49m	£0.49m
Borrowing	£1.89m	£20.75m	£23.07m	£22.99m	£3.82m	-
Total	£9.01m	£30.91m	£33.11m	£24.13m	£4.31m	£0.49m

11.4. Housing Revenue Account:

Category of Expenditure	2020/21 Estimate	2021/22 Budget	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/16 Forecast
Maintaining/ Improving existing assets	£13.65m	£13.58m	£12.63m	£6.82m	£7.47m	£7.24m
Acquisition & New Build	£3.21m	£11.48m	£11.84m	£12.88m	£10.53m	£11.09m
Vehicle/ IT	£0.36m	-	£1.54m	-	£0.30m	-
Total	£17.22m	£25.06m	£26.01m	£19.70m	£18.30m	£18.33m
Financing:						
Grants/ Contributions	£0.66m	£2.17m	£1.36m	£1.25m	£1.82m	-
Capital Receipts	£1.13m	£1.65m	£1.90m	£1.74m	£1.78m	£1.83m
Reserves (incl Major Repairs Reserve)	£13.52m	£13.24m	£10.76m	£9.72m	£9.70m	£11.52m
Borrowing	£1.91m	£8.00m	£12.00m	£7.00m	£5.00m	£5.00m
Total	£17.22m	£25.06m	£26.01m	£19.70m	£18.30m	£18.33m

12. Knowledge and Skills

- 12.1. Finance staff with responsibility for treasury management and/or the capital programme are either AAT or CIPFA qualified/ part qualified. Link Asset Services are currently the Councils treasury management advisors and provide training as and when required.

13. Future Issues

- 13.1. During the coming 12 months there will be a number of projects and outputs from internal processes which will necessitate a revision of this Capital Strategy as well as national funding issues.
- Results from leisure strategy and feasibility ongoing work
 - Revisions and evaluation of Phase 2 of Abbey Street regeneration and finalisation of Future High Streets Fund grant funding.
 - Ongoing review of the assets that may be disposed of to generate further capital receipts to fund the capital programme
 - The outcome of the Fair Funding Review and Business Rates Retention which may determine the resources that the Council has available for capital investment.
- 13.2. Any implications from these will be included in future updates to this strategy.

Treasury Strategy & Budgetary Framework 2021/22

- a) Cabinet be delegated to increase the approved revenue budgets for the General Fund and the Housing Revenue Account for 2021/22 subject to the minimum working balances of £1m and £1.3m respectively being maintained and having regard to the reserves risk assessment included within the budget report.
- b) Capital resources of £38.57m and £25.06m be approved for the General Fund and the Housing Revenue Account respectively (which includes the latest estimate of re-profiled expenditure from 2020/21).
- c) Any unused capital allocation from 2020/21 as at 31st March 2021, and still required, be carried forward into 2021/22 and added to the capital budgets.
- d) The Minimum Revenue Provision (MRP) Policy Statement (Appendix A to the 10th February 2021 Cabinet report) be adopted.
- e) The Prudential and Treasury Indicators (Appendix B to the 10th February 2021 Cabinet report) be adopted.
- f) The Treasury Management Strategy (as detailed in the 10th February 2021 Cabinet report) including the borrowing and investment strategies for 2021/22 be adopted.
- g) The Capital Strategy (Appendix G to the 10th February 2021 Cabinet Report) be adopted

4A.10 QUESTIONS BY COUNCILLORS

4.10.1 A Member of the Council may ask the Leader of the Council or the Chair of a Committee any question without notice upon an item of the report of the Cabinet or a Committee (respectively) when that item is being received or under consideration by the Council.

4.10.2 Questions on Notice at Full Council

At each meeting a Member of the Council may ask no more than one question (but see 10.3(b) below) on any matter in relation to which the Council has powers or duties, or which affects the Borough. For questions from Members, Paragraph 4.9.4 shall apply. A Member may choose to ask their permitted question of either:

- a Member of the Cabinet; or
- the Chair of any Committee, Panel or Sub-Committee

4.10.3 No such question under paragraphs 10.2 or 10.3 shall be asked unless:
(a) the question has been delivered in writing to the Head of Paid Service and Leader before 12 noon on the day before the meeting of the Council; or
(b) where the question relates to urgent matters, they have the consent of the Mayor or the Leader of the Council or the Portfolio Holder to whom the question is to be put or in the case of a Committee, Panel or Sub-Committee, the Chair, and the content of the question is given to the Head of Paid Service at least three hours before the time that the meeting is due to start.

4.10.4 Response

An answer may take the form of:

- (a) a direct oral answer;
- (b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
- (c) where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

4.10.5 Time Limit

The maximum time for Members' questions shall not normally exceed 24 minutes, and the Mayor shall have discretion to limit the questions as he or she shall see fit.

4.10.6 Reference of Question to the Cabinet or a Committee

Any Member may move that a matter raised by a question be referred to the Cabinet or the appropriate Committee. Once seconded, such a motion will be voted on without discussion.

4.10.7 Any question or statement which cannot be dealt with because of lack of time will be dealt with in writing in accordance with paragraph 10.5 (c).

4.10.8 Questions on Notice at Committees, Panels or Sub- Committees

A Member of a Committee, Panel or Sub-Committee may, upon giving notice, ask the Chair of it one question on any matter in relation to which the Council has powers or duties, or which affect the Borough and which falls within the Terms of Reference of that Committee, Panel or Sub-Committee