

# Appendix 1

## Broadland DC Capital Programme and Funding 2020 to 2025

SCHEME	Provisional - requires a business case and/or Member approval	Directorate	Team	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Disabled Facilities Grants		People and Communities	Housing	900,000	900,000	900,000	900,000	900,000	4,500,000
Minor Improvement Grants		People and Communities	Housing	30,000	30,000	30,000	30,000	30,000	150,000
Warm Homes Fund		People and Communities	Housing	59,800					59,800
Depot Refurbishment/Replacement	Y	People and Communities	Waste		1,000,000	3,000,000			4,000,000
Vehicles - Waste and Streets	Y	People and Communities	Waste		5,600,000				5,600,000
Brown Recycling Bins		People and Communities	Waste	24,000	24,000	24,000	24,000	24,000	120,000
Domestic Waste Bins		People and Communities	Waste	67,800	67,800	67,800	67,800	67,800	339,000
Street Lighting		Place	Economic Growth	37,500	34,600	34,800	35,300	38,300	180,500
Historic Bldgs Grants/ Bldgs at Risk		Place	Planning	15,000	15,000	15,000	15,000	15,000	75,000
Bure Valley Railway	Y	Place	Economic Growth	220,000	90,000	90,000	90,000	90,000	580,000
Contribution to Food Hub Project	Y	Place	Economic Growth	870,000	990,000				1,860,000
Thorpe Lodge Refurbishment		Resources	Facilities	167,000	84,000	78,000	31,000	31,000	391,000
Information Technology		Resources	ICT and Digital	666,700	100,000	75,000	75,000	75,000	991,700
Investment Borrowing	Y	Resources	Finance	5,000,000	5,000,000				10,000,000
<b>Total</b>				<b>8,057,800</b>	<b>13,935,400</b>	<b>4,314,600</b>	<b>1,268,100</b>	<b>1,271,100</b>	<b>28,847,000</b>
<b>FUNDING</b>									
Grants				959,800	900,000	900,000	900,000	900,000	4,559,800
Capital Receipts				1,208,000	4,295,400	324,600	278,100	371,100	6,477,200
Revenue Financing (Food Hub)				870,000	990,000				1,860,000
Revenue Financing (General Fund)				5,000,000	6,380,000				11,380,000
Earmarked Reserve: Bridges Repair				20,000	90,000	90,000	90,000		290,000
Debt					1,280,000	3,000,000			4,280,000
<b>Total</b>				<b>8,057,800</b>	<b>13,935,400</b>	<b>4,314,600</b>	<b>1,268,100</b>	<b>1,271,100</b>	<b>28,847,000</b>

# **Appendix 2 Capital Strategy 2020/21 to 2024/25**

## **1 Purpose**

- 1.1 The purpose of this Capital Strategy is to outline the Council's approach to capital investment, and how the Council ensures that capital investment is prudent, affordable and directed to the Council's Corporate Priorities. It therefore provides the rationale for any capital spending plans.
- 1.2 The Capital Strategy is a partner document to the Medium-Term Financial Plan (MTFP), the Broadland and South Norfolk – "Our Plan" 2020-2024, the Procurement Strategy, the ICT Strategy, the Commercialisation Strategy, the Council's Annual Delivery Plan, the Council's Budget (Revenue and Capital), the Treasury Management Policy and the Annual Investment Strategy.

## **2 Vision for the District**

- 2.1 This strategy seeks to deliver the community's vision for the district as set out in the Broadland and South Norfolk – "Our Plan" 2020-2024. Our ambitions are:
  - Growing the Economy
  - Supporting Individuals and empowering communities
  - Protecting the natural and built environment, whilst maximising quality of life
  - Moving with the times, working smartly and collaboratively.

## **3 Definition of Capital Expenditure**

- 3.1 Capital expenditure is defined in Section 16 of SI 2003/3146 as:
  - Expenditure that results in the acquisition, construction or enhancement of fixed assets (tangible and intangible)
  - Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003
  - Expenditure which has been directed to be treated as capital by the Secretary of State (for example, grants made to third parties for the purpose of capital expenditure).

## **4 Requirement for a Capital Strategy**

- 4.1 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential Code "requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice".
- 4.2 As part of the Prudential Code authorities are required to produce a capital strategy and are also required to estimate their capital expenditure over the next three financial years, which will form a part of the budget setting process each year.
- 4.3 From 2019/20 the MTFP has been prepared on a five-year basis and this is reflected in the Capital Programme. There is an expectation that the capital

strategy will address the strategic long-term purpose of investment and therefore stretch for a period of at least 20 years.

- 4.4 Ongoing development of the strategy will address this moving forward as the strategy is updated annually for inclusion as part of the Council's budget setting process. The strategy therefore provides the starting point for the capital programme and a framework for the effective use of the Council's resources and will influence the direction of treasury management. The Prudential Code permits the Council to determine the appropriate level of capital investment to deliver quality public services, subject to affordability.

## **5 Priorities**

- 5.1 This Capital Strategy focuses investment to deliver the Council's corporate priorities, while also contributing to the Council's financial sustainability by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 5.2 The current capital expenditure priorities (as agreed per capital programme) are:
- Development projects (externally funded alongside existing Council resources)
  - Street lighting (externally funded)
  - Disabled Facilities Grants (mandatory; limited external funding)
  - Other grants (historic buildings, minor improvements)
  - Homes people can afford (limited usable receipts funding)
  - Maintenance of the Council's assets (Thorpe Lodge, Frettenham Depot, IT renewal programme, bridge maintenance, Carrowbreck Training Development and restoration work)
  - New infrastructure associated with growth strategy
- 5.3 With low interest rates continuing for the foreseeable future there remains the opportunity to invest monies in property as an alternative to bank deposits if the rate of return exceeds the rate of interest which would be achieved through cash investments. However, members need to be aware that this form of investment is deemed to be capital and under the current guidance if an investment property is sold the sale proceeds will be accounted for as capital receipts and cannot be used for revenue purposes in the future. Property assets are also not as liquid as cash and bank deposits.
- 5.4 This strategy is a living document which evolves over time to incorporate ongoing capital liabilities which will need to be met in the future alongside other investment decisions. In order to determine future liabilities, the council will need to commission condition surveys for Council assets. The Capital Strategy will also need to be developed in line with the asset management plan. The Capital Strategy is a corporate document and requires a cross-Council approach to be effective.

## **6 Capital Assets**

- 6.1 The main council buildings are likely to present the greatest ongoing capital liability for the Council over the next 20 years. An accommodation review will be carried out in 2020/21 as part of relocating teams to assist the One Team approach.
- 6.2 In addition to these assets, capital expenditure will need to be incurred on the upgrade of IT equipment and improvements to the IT Infrastructure

## **7 Capital Financing**

- 7.1 The Council can finance its capital programme from various sources as follows:

- Revenue.
- Revenue Reserves
- Capital Receipts from asset disposals
- Grants
- Tax Increment Financing (TIF).
- Private Finance Initiative/Public Private Partnership
- CIL
- Borrowing

- 7.2 Over the next few years the total amount of investments and cash will fall as cash is spent on the capital programme and earmarked reserves are spent.

## **8 Borrowing**

- 8.1 Under the Prudential Code, Councils determine how much they will borrow as long as any borrowing is affordable and prudent, thus clearly linking the financing of capital with the Treasury Management Strategy and the revenue budget.
- 8.2 The consequence of the funding position is that the Council will be required to borrow to finance any additional capital expenditure in the coming period. However, any borrowing must be affordable in line with the requirements of the prudential code.
- 8.3 Under the Prudential Code, Councils are not permitted to borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any Council's commercial investments will be within the District and intended to deliver economic and housing regeneration and growth as well as a financial return.
- 8.4 The most efficient way to borrow will be to fund expenditure from internal resources initially (i.e. with cash backed reserves such as the capital receipts reserve) and borrow if and when necessary. Broadland has a Capital Financing Requirement (CFR) determined by the theoretical amount of debt associated with finance leases. Any additional future debt costs if the need to borrow arose would have to consider the CFR when determining an appropriate liability benchmark.
- 8.5 Local authorities have the power to borrow without restriction under the Prudential System – provided that they can prove that they can afford both the revenue implications of the capital projects undertaken and the costs of servicing and repaying the debt itself. Each authority must set Prudential Indicators each year, approved by Council, two of which state the maximum

limits of operational and authorised external debt. If the authority decides to borrow to fund its capital programme, it will ensure that its debt indicators are not breached at any time.

- 8.6 Historically most local authority long term debt has been taken through the Public Works Loan Board (the PWLB).
- 8.7 However the Municipal Bond Agency, set up by local authorities and the LGA, is changing its framework to make it more attractive as an option. A Cabinet report will be presented during 2020/21 exploring this as a viable borrowing source.

## 9 Priorities for the Capital Programme / Option Appraisal

- 9.1 The need for capital investment is driven by a number of factors both internal and external to the council. The diagram below illustrates a number of these.



- 9.2 It is also clear that there will be a requirement for some element of future growth, in particular to address shortages in affordable housing and infrastructure, supporting one of the councils' key principles above. Broadland has established a joint venture with Norfolk Property Services (NPS), Broadland Growth Ltd. This limited company vehicle enables the Council to progress its own major development and infrastructure projects.
- 9.3 Broadland Growth Ltd has already delivered two successful housing development projects and will continue to investigate further suitable opportunities. There are likely to be a number of capital spending projects and the Council will need to consider future business cases on whether it wishes to invest. However, any growth needs to be sustainable in terms of the economy and the environment. In particular, any borrowing must have a clear

repayment strategy (e.g. via Council Tax) and a budget to support debt management costs.

- 9.4 The capital programme must be financed each year, drawing resources from capital receipts, earmarked reserves, external funding and direct revenue funding – i.e., drawn from the General Fund. As the levels of external funding and the reserves of capital receipts diminish, the proportion of expenditure that must be drawn from the General Fund will increase, and will need to be carefully managed or external borrowing will be required.
- 9.5 To ensure the best use of resources, requests for schemes to be included on the capital programme will be subject to an option appraisal process. Each scheme will must fulfil one or more of the aims of the Broadland and South Norfolk – “Our Plan” 2020-2024?
- 9.6 Proposed schemes will be considered to be bids for limited resources, and will be ranked in accordance with their score against set criteria which will include the risks around the scheme.
- 9.7 Proposed capital projects must present a clear business case. Cabinet and Council will be the key governance decision-making bodies for the capital projects. Bids for funding, in the form of business cases, will be subject to an option appraisal process to ensure that available funding is directed to the most effective projects. In some exceptional cases with regard to housing grants agreement by portfolio holder decision may be required; this may also be a more appropriate route for some other projects. This is relevant for cases with ring-fenced external funding and a purpose already within a departmental remit, such as grants received by a particular service tied to a commitment to spend on a specific project. Otherwise, business cases are subject to review by the relevant Council panel. All decisions will still be subject to procurement regulations in the Constitution.

## **10 Partnerships**

- 10.1 Partnership working is certain to continue and is likely to assume greater significance given the state of public finances so this strategy needs to ensure that any capital requirements identified through partnership work can be considered alongside other bids for capital funds.
- 10.2 Broadland District Council’s collaborative working with South Norfolk District Council is likely to create a wide number of opportunities to work jointly on capital projects that will benefit both authorities. If the expectation is that the nature of the projects are large scale, significant capital expenditure is likely. Managers of capital projects across the two councils should be encouraged to adopt or at least make reference to this Capital Strategy, affirming that the project(s) are in line with current priorities and vision moving forward
- 10.3 The Council is a member of the Greater Norwich Growth Board (GNGB). Expenditure, both capital and revenue, is directed by the Greater Norwich Business Plan, reviewed and updated annually by the Board and supports the delivery of growth over the GNGB area which comprises Broadland, Norwich and South Norfolk Councils, Norfolk County Council and the Local Enterprise Partnership.

## **11 Equalities**

- 11.1 Capital projects must give consideration to the Equalities Act 2010.
- 11.2 Promoting equality and diversity is vital for tackling discrimination and social exclusion.

## **12 Risk Management**

- 12.1 As part of the project business case, capital projects should be risk assessed. Any mitigation actions should be included in the project business case. With diversity of partnership working, including joint venture working as described above, local authorities' assessment of risk management becomes increasingly important.
- 12.2 The main financial risk is associated with actual performance against expected. Excessive costs incurred due to unforeseen circumstances and project slippage can lead to increased pressure on future year's budgets. This can be mitigated by having robust business cases and monitoring through the life of the project.
- 12.3 The risk around borrowing is managed by use of Prudential Indicators that are calculated annually as part of the budget setting process and revisited at each year's actual outturn and a decision on how much the council can afford to borrow.

## **13 Advice of the Section 151 Officer**

- 13.1 The Section 151 Officer is specifically required to report on the deliverability, affordability and risks associated with the capital strategy.
- 13.2 Deliverability is underpinned through the embedding of capital expenditure within the business planning process and use of specialist advice where required, for example, in assessing the plans to deliver commercial property investments.
- 13.3 The prudential indicator of net financing costs to net revenue income stream from taxation and central government provides a view of financial sustainability. This is set out in the Treasury Management Strategy elsewhere on this agenda.
- 13.4 The risks in this strategy are as follows:
- **Economic** – Changes in the economy could mean that investments undertaken in line with the strategy do not deliver the anticipated benefits or returns. Prudent assumptions have been made on the level of returns that can be expected.
  - **Timing** – Delays incurred during the implementation phase of particular projects could impact on the returns in the short term. Effective project management and monitoring is undertaken to mitigate this risk.
  - **Interest Rates** – It has been assumed that interest rates will stay at their current low levels. The exact timing of borrowing will determine the exact interest rates on external debt incurred as part of this strategy. The interest rate outlook is kept under review so that the strategy can be changed should rises in interest rates become probable.
  - **Government Policy** – The strategy is aimed to deliver quality services and to improve the sustainability of the Council. Should government policy change in

a way that prevents parts of the strategy being implemented, increases its cost or reduces the expected benefits, then the strategy would need to be revised.

## **14 Conclusion**

- 14.1 This Capital Strategy represents a prudent and affordable approach to investment in the Council's assets to support service delivery and to contribute to the Council's financial sustainability over the next five years. The strategy is kept under review and updated each year.



# Appendix 3: IT Investment

## 1 SUMMARY

- 1.1 The purpose of this appendix is to outline the indicative costs and timescales associated with a programme of work to align key elements of ICT infrastructure in use across Broadland District Council and South Norfolk Council. This investment will support staff to work effectively as a single Paid Service across both organisations, providing the ability to deliver integrated services to residents, businesses and stakeholders. The paper seeks budget approval for the proposed ICT infrastructure investment and highlights subsequent phases of transformational work associated with service reviews across the organisations.

## 2 BACKGROUND

- 2.1 The Broadland and South Norfolk Feasibility Study outlined a number of proposed ICT projects as part of a route map of collaborative activities. These projects have subsequently been developed into an ICT work programme to support the collaborative aspirations of both Councils and to provide a robust and resilient technology platform on which to support a single Paid Service and facilitate service transformation.

## 3 CURRENT POSITION

- 3.1 Currently both Councils have their own independent ICT infrastructure and networks which support a large range of corporate and departmental ICT systems and resources. To support the collaboration and alignment of services across Broadland District Council and South Norfolk Council these two distinct sets of ICT infrastructure need to be joined, initially co-existing alongside one another, before being developed and converged into a common shared platform enabling One Team to work across two Councils easily and in harmony.
- 3.2 Work has been undertaken to determine a phased approach that will move the Councils from their current position to common shared platforms. The work programme has been shaped through conversations with the newly created East Suffolk and West Suffolk Councils, with external third-party advice for specific projects, and with the internal ICT resources at both Councils.
- 3.3 At present the ICT infrastructure and corporate and departmental business systems differ across both organisations due to different requirements and interdependencies. Historically the level of ICT investment at Broadland has been lower than South Norfolk (as reflected in the Feasibility Study), therefore the starting position for the two organisations differs. In order to achieve a common shared ICT platform capable of supporting 700 staff across multiple sites, enterprise level technology standards now need to be determined, designed, and implemented in an agreed priority, maximising One Team efficiencies and meeting the needs of the business and their customers.
- 3.4 The transformational nature of the proposed work will require investment by both Councils. This paper outlines and sequences the identified projects and compares the anticipated levels of investment with existing approved capital and revenue budgets for overlapping ICT maintenance and development. This

work has identified the financial growth required to meet the needs of the Councils in terms of their new collaborative aspirations.

- 3.5 Some of these projects are predicated on an 'invest to save' model, which will see capital investment generating future revenue savings. Other projects represent growth in capital and/or revenue ICT budgets but will enable cashable and non-cashable savings to accrue outside of ICT through efficiencies within specific services areas, or the organisation more widely. Examples of anticipated areas of efficiency are outlined later within this paper, specifically within Appendix one.

## 4 PROPOSED ACTION

- 4.1 The development of the Councils future ICT infrastructure and system alignment work has been divided into three distinct phases:

- **Phase one** : Convergence of the low-level ICT infrastructure
- **Phase two** : Alignment of core corporate systems
- **Phase three** : Alignment of departmental business systems

- 4.2 Phase one delivers firm foundations on which to build and develop a common shared ICT platform, its key deliverables are:

- **Site to site connectivity** between Thorpe Lodge / Carrowbreck House and South Norfolk House (with additional sites being added when contractually advantageous). This has been provided through a 3-year contract with an option to extend for a further 3-year term.
- Convergence and co-existence of existing ICT infrastructure and networks (**Active Directory Trust** between Broadland and South Norfolk). This will continue until the existing networks are merged and all services are moved to one network. There are no ongoing costs associated with this work.
- Early development of the new shared infrastructure into which new systems are deployed (**One Network**). The infrastructure to support this has been costed and assumes a minimum 5 years lifespan.

- 4.3 Phase two delivers the alignment of key corporate system and workforce tools that are common across all departments, its key deliverables are:

- **Single email and calendar platform** (including introduction of new domain name). The licensing to support this has been aligned with the Microsoft contract in place at South Norfolk which expires in April 2022. Subsequent renewals will be on a 3-year term.
- **Single external website** (including introduction of new domain name). It is anticipated the contract in respect of the new website will be let on a 3-year term.
- **Single internal intranet**. This project is being delivered utilising internal resources and is expected to have a lifespan of a minimum of 3 years with incremental development as required.
- Flexible working solutions to enable cross site and **remote working** for staff. The infrastructure to support this has been costed and assumes a minimum 5 years lifespan.

- Aligned **telephony platforms**. The project will align the functionality provided by the two telephony platforms, with an option to review telephony solutions at the end of 2021 in line with current contractual commitments.
- 4.4 Phase three delivers the alignment of departmental business systems that will be informed by transformational service reviews undertaken across the business. The costs of these projects are **not** contained within this paper and will come forward as separate business cases throughout the service review process. This work will be closely linked with the alignment of practices, processes and procedures, and will consider the broader development of true end-to-end digital services for our customers.
- 4.5 It should be noted one exception has been made to the proposed phases detailed above, this is the implementation of the joint Human Relations and Payroll system which was launched in early January 2020. This solution is being provided by Suffolk County Council as an externally hosted IT system.
- 4.6 Appendix one to this paper provides a summary of the indicative revenue and capital growth required to deliver phases one and two described above. In arriving at the required level of investment, account has been taken of existing approved ICT capital and revenue budgets at both Councils. The existing approved budgets have been used to offset the cost of investment only where the approved budget was allocated to a project of a similar nature that has been superseded in light of collaborative working. Further capital budget provision remains for 'business as usual' ICT projects.
- 4.7 Some projects contained have already received budgetary approval from the appropriate authority. This has occurred where spend has been required within 2019/20. These include, site to site connectivity, some third party support and Microsoft licencing renewals for Office365. These are marked as committed spend within Appendix one.
- 4.8 More detailed options and costs will be defined for the remaining projects as specification, procurement and delivery is undertaken. Where these projects exceed £100k in value, they will be brought back to the respective Cabinets for authority to proceed in line with Contract Procedure Rules.

## 5 OTHER OPTIONS

- 5.1 It would be possible for the two organisations to continue to develop their ICT infrastructure and systems independently without any convergence however this will significantly limit the ability for the two Councils to align their practices, processes and procedures and transform their service offering to customers, businesses and stakeholders. It will also inhibit or prevent the opportunity for future savings to be realised through efficient and effective integration of ICT across One Team.

## 6 ISSUES AND RISKS

- 6.1 **Resource Implications** – The indicative financial resources required to deliver the collaborative programme of work are detailed within Appendix one to this paper and show **net** capital and revenue growth required by the Councils over the next two financial years. These figures include a contingency on capital budgets of 10%. Further discrete growth bids for capital and revenue in respect of ICT outside of the collaborative programme of work will come forward as part of the normal budget setting process.

- 6.2 The starting positions of both Councils is different in terms of existing ICT solutions in place and previous levels of investment, therefore each of the projects listed within Appendix one identifies the cost apportionment model proposed to fund the work. Three apportionment models have been established and are described below:
- **Broadland 45% South Norfolk 55%** - This apportionment model will be utilised where the project reflects joint work being undertaken by both Councils for the purposes of closer collaborative working, where the starting position of both organisations is the same or similar, or neither Council have invested in the technology required to deliver the proposed collaborative solution. This contribution ratio reflects the agreed cost apportionment model as set out within the Feasibility Study.
  - **Broadland 100%** - This apportionment model will be utilised where the investment required falls entirely to Broadland as South Norfolk have already invested in the technology required to deliver the proposed collaborative solution.
  - **South Norfolk 100%** - This apportionment model will be utilised where the investment required falls entirely to South Norfolk as Broadland have already invested in the technology required to deliver the proposed collaborative solution.
- 6.3 It is unclear at this time whether the staffing resource provided under new ICT and Digital structure will be sufficient to deliver these projects within the timeline anticipated alongside existing workloads. As a result, some limited external third-party resources have been costed to support specific project deliverables.
- 6.4 **Legal Implications** – The projects contained within Appendix one will be subject to procurement legislation and internal Contract Procedure Rules.
- 6.5 As ICT services and solutions are jointly purchased due regard will be taken in relation to the contractual ownership of these assets by either or both Councils. This will be determined at a project level dependant on the approach taken.
- 6.6 **Equality Implications** – No anticipated equality issues have been identified in relation to this programme of work, however individual projects such as the move to a single website will have discreet considerations in terms of equality that will be addressed at a project level e.g. website accessibility.
- 6.7 **Environmental Impact** – No measurable or quantified implications have been identified in relation to the environmental impact of this work, however it is anticipated that consolidation of ICT infrastructure and replacement of hardware with more energy efficient equipment will have a positive impact. The move to more flexible working arrangements and the use of technology aims to reduce travel needs and will also reduce carbon emissions.
- 6.8 **Crime and Disorder** – No anticipated crime and disorder issues have been identified in relation to this programme of work, however the increased surface attack for cyber-crime should be recognised as consequence of converging the ICT infrastructure and networks. Campaigns to increase staff awareness of cyber-security including relevant training are already planned to mitigate the risk.

- 6.9 **Risks** – Individual risks will be recorded and managed at a project level as part of the delivery mechanism for these changes, however it should be recognised all ICT changes come with some element of risk to service disruption. These will be mitigated through appropriate change control processes and the formation of a Change Advisory Board (to include both business and ICT representation) to formalise and approve changes to ICT systems. From an ICT security perspective both Councils are required to conform to the central government ICT Security accreditation (PSN Code of Connection). This level of security accreditation will form the standards on which ICT changes are predicated.

## **7 CONCLUSION**

- 7.1 In order to deliver the aspirations of both Councils as set out in the Broadland and South Norfolk Feasibility Study, additional financial investment in ICT infrastructure, networks and systems is required. These investments will ensure a common shared ICT platform is in place to enable and facilitate services transformation across the organisation.

## **8 RECOMMENDATIONS**

- 8.1 Cabinet to agree to approve the programme of work to align key elements of ICT infrastructure and corporate systems in use across Broadland District Council and South Norfolk Council as set out in this appendix.

# ICT Collaboration Financial Growth

			Broadland						South Norfolk					
			2019/20		2020/21		2021/22		2019/20		2020/21		2021/22	
Apportionment Model	Committe d		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
Phase one - Convergence of the low level ICT infrastructure														
Site to site connectivity														
Aim: To provide high speed data connectivity between Thorpe Lodge / Carrowbreck House and South Norfolk House to enable cross site working and enable network convergence.														
Cashable and Non-cashable savings: This project will provide a cashable net joint revenue saving from 2020/21.														
Thorpe Lodge data circuit	BDC 100%	YES (PH1)	£6,725	£1,527		£6,108		£6,108						
Carrowbreck data circuit	BDC 100%	YES (PH1)	£6,725	£1,527		£6,108		£6,108						
Broadland Point to Point data circuit	BDC 100%	YES (PH1)	£5,459	£1,126		£4,504		£4,504						
Long Stratton data circuit	SNC 100%	YES (Dir)							£6,091	£2,070		£8,280		£8,280
Savings from the termination of existing supplier data circuits	BDC 100% and SNC 100%					-£31,779		-£39,051						-£31,581
TOTAL			£18,909	£4,180	£0	-£15,059	£0	-£22,331	£6,091	£2,070	£0	£8,280	£0	-£23,301
Convergence and co-existence of existing ICT infrastructure and networks (Active Directory Trust)														
Aim: To join the existing Broadland and South Norfolk networks (uterlising the above site to site link) and provide sharing of core ICT resources between sites.														
Cashable and Non-cashable savings: This project will provide non-cashable savings in terms of reduced administration of network access for both sites through provision of a single logon, and savings in staff time through the ability to access common file storage and printing services.														
Third Party Support (Design)	BDC 45:55 SNC	YES (<5k)		£2,025						£2,475				
Third Party Support (Implementation)	BDC 45:55 SNC					£4,500						£5,500		
TOTAL			£0	£2,025	£0	£4,500	£0	£0	£0	£2,475	£0	£5,500	£0	£0
Infrastructure for 'One Network'														
Aim: To provide the infrastructure to support common shared platforms, facilitating alignment of corporate systems and departmental line of business systems. Includes required replacement of legacy infrastructure and provision for reciplicated Disaster Recovery arrangements.														
Cashable and Non-cashable savings: Subject to full business case														
Networks switches	BDC 45:55 SNC				£81,000						£99,000			
Servers / Stoarge	BDC 45:55 SNC				£359,100						£438,900			
Licencing	BDC 45:55 SNC				£67,500						£82,500			
DR and BC Infrastructure	BDC 45:55 SNC				£67,500						£82,500			
TOTAL			£0	£0	£575,100	£0	£0	£0	£0	£0	£702,900	£0	£0	£0

			Broadland						South Norfolk					
			2019/20		2020/21		2021/22		2019/20		2020/21		2021/22	
Apportionment Model	Committee		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
<b>Phase two - Alignment of core corporate systems</b>														
<b>Single email and calander platform (Microsoft Office 365)</b>														
Aim: To provide a single email and calendar platform across both organisations with the ability to adopt a single common email domain naming convention.														
Cashable and Non-cashable savings: This project will provide non-cashable savings in terms of staff having visability of calendars across Broadland and South Norfolk, enabling better organisation of resources. The joint domain name will also provide a common joint identity for email.														
Office 365 E3	BDC 100%	YES (Cab)		£15,820		£37,407		£37,407						
Third Party Support (Implementation)	BDC 45:55 SNC				£13,500						£16,500			
TOTAL			£0	£15,820	£13,500	£37,407	£0	£37,407	£0	£0	£16,500	£0	£0	£0
<b>Single external website</b>														
Aim: To provide a single external website across both organisations adopting a single common domain name.														
Cashable and Non-cashable savings: This project will provide a cashable net joint revenue saving from 2021/22. It will also provide non-cashable savings in terms of removal of duplicated effort in maintaining website content and transaccational functionality.														
Deployment of new external website	BDC 45:55 SNC				£30,128	£10,215		£10,215			£36,823	£12,485		£12,485
Deployment of new customer portal	BDC 45:55 SNC				£7,200	£1,152		£1,152			£8,800	£1,408		£1,408
User training	BDC 45:55 SNC					£2,250						£2,750		
Rebranding of third party webservices	BDC 45:55 SNC				£15,750						£19,250			
Savings	BDC 100% and SNC 100%							-£17,417						-£23,386
TOTAL			£0	£0	£53,078	£13,617	£0	-£6,050	£0	£0	£64,873	£16,643	£0	-£9,493
<b>Single internal intranet</b>														
Aim: To provide a single internal intranet across both organisations adopting a common platform.														
Cashable and Non-cashable savings: This project will provide non-cashable savings in terms of removal of duplicated effort in maintaining intranet content and will provide a single location to store internal procedures and policies.														
Internal resources and existing infrastructure	BDC 45:55 SNC													
TOTAL			£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Flexible working solutions to enable cross site and remote working</b>														
Aim: To provide the ability for staff to work effectively between sites and from remote locations.														
Cashable and Non-cashable savings: This project will provide non-cashable savings in terms of providing staff with the flexibility to work from the most appropriate location to complete their work. It could offer cashable savings or income in terms of future office requirements.														
Third Party Support (Design)	BDC 45:55 SNC	YES (<5k)		£2,025							£2,475			
Supporting hardware	BDC 45:55 SNC				£20,250						£24,750			
Supporting licencing	BDC 45:55 SNC					£18,000		£18,000				£22,000		£22,000
Third Party Support (Implementation)	BDC 45:55 SNC				£9,000						£11,000			
TOTAL			£0	£2,025	£29,250	£18,000	£0	£18,000	£0	£2,475	£35,750	£22,000	£0	£22,000
<b>Single telephony platform</b>														
Aim: To provide two aligned telephony platforms to allow routing and transfer of calls between staff at both sites and the ability for calls to be handled from any location.														
Cashable and Non-cashable savings: This project will provide non-cashable savings in terms of staff time when transferring customer calls improving customer experience. It will also provide improvements in terms of business continuity and disaster recovery.														
Upgrade costs (Broadland) inc softphone capability	BDC 100%				£34,468									
Softphone headsets (50% softphone use)	BDC 100%				£6,332									
Broadland migrate from ISDN to SIP	BDC 100%				£8,000									
Savings	BDC 100%					-£7,020		-£7,020						
TOTAL			£0	£0	£48,800	-£7,020	£0	-£7,020	£0	£0	£0	£0	£0	£0

			Broadland			South Norfolk			
			2019/20	2020/21	2021/22	2019/20	2020/21	2021/22	
GROSS CAPITAL REQUIRED FOR LISTED PROJECTS			£18,909	£719,728	£0	£6,091	£820,023	£0	£1,564,750
Less Site to Site costs funded from existing budgets			-£18,909	£0	£0	-£6,091	£0	£0	-£25,000
ACTUAL CAPITAL REQUIRED FOR LISTED PROJECTS			£719,728			£820,023			£1,539,750
Plus contingency sum		10%	£71,973			£82,002			£153,975
Less existing approved Capital budgets for overlapping ICT projects			-£200,000			-£100,000			-£300,000
NET CAPITAL REQUIRED FOR LISTED PROJECTS			£591,700			£802,025			£1,393,725
TOTAL REVENUE REQUIRED FOR LISTED PROJECTS			£24,050	£51,445	£20,006	£7,020	£52,423	-£10,794	
Less Third Part Support (design) for AD Trust funded from existing budgets			-£2,025	£0	£0	-£2,475	£0	£0	
Less Third Part Support (design) for remote working funded from existing budgets			-£2,025	£0	£0	-£2,475	£0	£0	
Less Site to Site costs funded from existing budgets			-£4,180	£0	£0	-£2,070	£0	£0	
Less Office365 costs funded from existing growth bid			-£15,820	-£37,407	-£37,407	£0	£0	£0	
NET REVENUE REQUIRED FOR LISTED PROJECTS			£0	£14,038	-£17,401	£0	£52,423	-£10,794	



#### APPENDIX 4: EARMARKED RESERVES

	31 Mar 19 £'000	Tsfs In	Tsfs Out	31 Mar 20 £'000	Tsfs In	Tsfs Out	31 Mar 21 £'000
Repairs & Renewals - General	316	6	-20	302			302
Repairs & Renewals - Street Lighting	15			15	30		45
Spend Equalisation	560	128	-199	489			489
Economic Success Fund	306			306			306
Insurance	59			59			59
Building Control Trading	14			14			14
External Funding Reserve	222		-140	82			82
Housing Assistance Policy - Being closed down	259		-259	0			
Developer Contributions - Adopted Land	412			412			412
Developer Contributions - Play Areas	124			124			124
Neighbourhood Plans - Front Runner	181			181			181
CIL Reserve	304			304			304
Community Right to Challenge Reserve - Being closed down	46		-46	0			
Business Rates Reserve	2,703	209		2,912			2,912
IT Reserve	214			214			214
Broadland Growth Reserve	2,133			2,133			2,133
Collaboration / Systems Thinking Reserve	70	87		157			157
Bridge Maintenance Reserve	310			310			310
<b>Total Earmarked Reserves</b>	<b>8,248</b>	<b>430</b>	<b>-664</b>	<b>8,014</b>	<b>30</b>	<b>0</b>	<b>8,044</b>

## **Appendix 5: Treasury Management Policy Statement**

### **1. INTRODUCTION AND BACKGROUND**

The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities, including policies where the Council has commercial investments held for financial return.
- Suitable treasury management practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices, half yearly reviews and an annual report after its close, in the form prescribed in its TMPs to Cabinet. The execution and administration of treasury management decisions are delegated to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

### **2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES**

Broadland District Council defines the policies and objectives of its treasury management activities as follows:

- (1) The authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the authority.
- (2) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- (3) The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.
- (4) The Council's primary objective in relation to investments remains the security of capital.

The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

'Investments' in the definition above covers all the financial assets of the authority, as well as other non-financial assets which the authority holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management.

***In summary, the Council's Treasury Management objectives are  
(in order of importance)***

Investments

- (1) Security of capital
- (2) Liquidity (access to funds)
- (3) Consistency of return
- (4) Enhanced return

Borrowing

- (1) Affordability
- (2) Maturity profile
- (3) Interest Rate and Refinancing Risks
- (4) Borrowing Source (to ensure the Council retains, as far as is practicable, flexibility over its borrowing)

## **Appendix 6 Annual Investment Strategy**

### **1 INTRODUCTION**

- 1.1 The Council has incorporated the best practice recommendations within MHCLG's 'Guidance on Local Government Investments' ("Guidance") and CIPFA's 2017 'Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes' ("CIPFA TM Code") into this Strategy.

### **2 INVESTMENT PRINCIPLES**

- 2.1 All investments will be in sterling.
- 2.2 The general policy objective for this Council is the prudent investment of its treasury balances.
- 2.3 The Council's investment priorities are primarily the security of capital, with the liquidity of its investments a secondary consideration. The rate of return on capital will always be subordinate to security and liquidity.
- 2.4 The Council will aim to achieve the optimum return on its investments, after considering the proper levels of security and liquidity.
- 2.5 The Council has approved the following ethical investment statement that will apply to all cash investments made by, or on behalf of, the Council:
- 2.6 Broadland District Council, in making investments through its treasury management function, supports the ethos of socially responsible investments. We will actively seek to communicate this support to those institutions we invest in as well as those we are considering investing in by:
- encouraging those institutions to adopt and publicise policies on socially responsible investments;
  - requesting those institutions to apply council deposits in a socially responsible manner."
- 2.7 Borrowing with the sole intention of investing or on-lending to make a return is unlawful. The authority will not engage in such activity.

### **3 SPECIFIED AND NON-SPECIFIED INVESTMENTS**

- 3.1 An investment is a specified investment if it meets all of the following criteria:
- The investment and any related payments are denominated in sterling
  - It is due or can be demanded to be repaid within twelve months
  - It is not defined as capital expenditure by virtue of regulation

- It is made with a body of high credit quality as defined in 3.2 and 3.3 below, or with the UK Government, a local authority or a parish council.

3.2 A counterparty will be judged to be of high credit quality if it holds a credit rating from at least one of the credit rating agencies as follows;

- Short-term F1 or long-term A- (Fitch) or
- Short-term P1 or long-term A3 (Moody's) or
- Short-term A1 or long-term A- (Standard & Poor's)
- Short-term rating AAA or equivalent for Money Market Funds (MMFs).

The authority will use UK institutions and those from countries with a minimum sovereign rating of AA- from at least one rating agency.

3.3 Organisations with no credit rating or an insufficient credit rating may be included, subject to assessment by other criteria;

- Building societies that do not meet the criteria in 3.2 above may be considered for use if their assets are valued at a minimum of £3 billion. Such institutions will be added to the counterparty list only after consultation with the authority's treasury advisors.
- Part-nationalised banks can be included, subject to discussion with our treasury advisors. Should the bank subsequently be de-nationalised, any investment will be considered on the basis that it meets the ratings in 3.2.
- Property Funds will be considered after relevant due diligence has been undertaken in conjunction with our treasury advisors.

3.4 The authority will take into consideration additional indicators as available e.g. share price, credit default swap price, corporate developments and market sentiment towards the counterparties.

3.5 The CIPFA TM Code states "Authorities are advised to have regard to the ratings issued by all three rating agencies – Fitch, Moody's and Standard & Poor's". Accordingly, where counterparty achieves the minimum credit rating from one ratings agency, the authority will consider the ratings given to that body by the other two.

3.6 The Council is authorised to invest in the following instruments in 2020/21

- UK Government Gilts
- Treasury Bills (short-dated Government backed borrowing)
- Debt Management Agency Deposit Facility (UK Government backed)
- Term deposits with UK Government or local authorities
- Municipal Bonds Agency
- Sterling denominated bonds issued by European governments or multinational development banks
- Deposits with banks and building societies which have "high credit quality" (see 3.2 and 3.3 above)
- Certificates of Deposit issued by banks and building societies
- Commercial Paper
- Corporate Bonds
- Property Funds
- Property Unit Trusts
- Money Market Funds with acceptable credit ratings (see 3.2 above)

- Other Money Market and Collective Investment Schemes (pooled funds)

Investments will be in sterling, will not be capital expenditure and credit quality limits will be observed. As such, they will be specified investments unless they are deposits made for fixed terms exceeding twelve months. Limits on non-specified investments are detailed in paragraph 5.3 below.

Investments will primarily be with UK counterparties. However the Council is permitted to invest in other countries provide they have sovereign ratings of AA- or higher, (the Council shows the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service. Maximum to be invested in any one overseas country £5 million.

## **4 SECURITY OF CAPITAL**

- 4.1 The authority employs professional consultants to advise on matters relating to their treasury activities in the context of local and global economic matters. The current treasury advisor is Capita Treasury Services. The authority will monitor the quality of advice; however, the pool of established and respected treasury consultants is small, such that there is currently only one alternative provider available.
- 4.2 The Council will maintain a counterparty list based on the credit criteria in sections 3.2 and 3.3 of this Appendix.
- 4.3 The Council receives creditworthiness advice from its treasury advisor on a regular basis. Although it takes such advice into account in all considerations involving security of investments, in all matters of judgement the ultimate decision lies with the Assistant Director of Finance.
- 4.4 The Council's lending list will be checked at least monthly. If a ratings downgrade or change in other creditworthiness indicators result in a counter-party no longer meeting the Council's minimum criteria, no new investments will be made with that organisation. If an organisation's rating is upgraded so that it fulfils the Council's criteria, the Assistant Director of Finance will have the discretion to include it on the lending list.
- 4.5 Where an organisation holding investments for the authority either falls below, or is deemed to be in danger of falling below the minimum thresholds detailed in 3.2 and 3.3 above, the authority will consider whether to recall its funds immediately or to maintain a watch during the remainder of the investment's time with the organisation.
- 4.6 Should the authority's banking services provider fall below the minimum credit criteria, the Assistant Director of Finance will ensure that reasonable measures are put in place to keep the authority's operational cash balances secure. These will include a consideration of any contingency banking arrangements and assessments of the need to procure an alternative banking services provider before the end of the current contract.

## 5 LIQUIDITY

- 5.1 Based on its cash-flow forecasts, the Council anticipates that its surplus cash balances will range between £20m and £40m during 2020/21. This will be dependent on the timing of expenditure on capital schemes and other large and unpredictable items.
- 5.2 The authority has reviewed its investment portfolio with the assistance of its treasury advisors. This review took account of the level of balances, the need for liquidity, spending commitments, provision for contingencies and the feasibility that the funding situation may be better than previously anticipated. The review reveals that there may be some scope for medium term investments.
- 5.3 Investments may be made for longer initial terms to take advantage of higher returns, with the security of capital and the need to fund operational activities prevailing as the primary objective. Unspecified investments will be made only after significant due diligence has been undertaken in conjunction with the Council's treasury advisors and the Assistant Director of Finance has been consulted. Term and monetary limits on long-term (unspecified) investments will be as detailed below;

Limits on long-term deposits	Fitch Long Term Rating (or equivalent)	Monetary limit	Term limit
Banks	A+	£5m	3 years
Banks – part nationalised		£5m per group	2 years
Property Funds	As advised	£5m per fund	No limit
Local authorities	N/a	£5m	5 years

## 6 INVESTMENTS DEFINED AS CAPITAL EXPENDITURE

- 6.1 The acquisition of share capital in any body corporate is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'.
- 6.2 Investments in bonds issued by multilateral development banks or money market funds (defined in SI 2004 No 534 and subsequent amendments) will not be treated as capital expenditure. Additionally, investments in shares issued by real estate investment trusts (as defined in SI 2007 No 573) and the acquisition of shares in an investment scheme approved under the Trustees Investments Act 1961 (as defined in SI 2010 No 454) will not be treated as capital expenditure.
- 6.3 A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure. Loans by this council to local housing associations or other companies will be clearly identified as to their purpose, i.e. treasury or policy. Appropriate due diligence will be undertaken before any loan or financial assistance is provided.

## **7 PROVISIONS FOR CREDIT-RELATED LOSSES**

- 7.1 If any of the Council's investments appeared at risk of loss due to default (i.e. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

## **8 TRAINING**

- 8.1 Officers invited to join the treasury management team will have been recruited through the Council's rigorous selection process and have proved their competence through their work and qualifications. They are required to undergo further training; theoretical training provided by our treasury advisors, and practical training, provided by experienced colleagues.
- 8.2 Officers are encouraged to attend external workshops, to discuss matters with our treasury advisors and to network with their peers in other authorities on a regular basis.

## **9 EXTERNAL CASH FUND MANAGEMENT**

- 9.1 The Council's externally managed funds are invested in collective investment schemes (pooled funds); the type and range of investments the individual fund can use are described in the fund's prospectus.
- 9.2 The performance and suitability of the pooled funds are monitored by the Council's treasury management advisor and the Assistant Director of Finance.

## **10 BORROWING IN ADVANCE OF NEED**

- 10.1 The Guidance requires authorities to consider their policy concerning borrowing in advance of need.
- 10.2 The authority has considered the additional costs inherent in carrying debt held in advance of need against the advantages of fixing debt at the current low rates and has determined that their policy is to borrow as close to the time of requiring the funds as possible.

## **11 SCRUTINY AND REPORTING**

- 11.1 As required by the revised CIPFA Treasury Management Code, the Council will prepare as a minimum a mid-year and end of year outturn on its treasury activity, including investment activity.
- 11.2 Additionally, as required by the revised Code, Cabinet will be responsible for the scrutiny of treasury management activity and practices.



## **Appendix 7: Treasury Management Practice (TMP1)**

### **Credit and Counterparty Risk Management**

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and applies its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

### **Annual investment strategy**

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

### **Specified investments**

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.

5. A body that is considered to be of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short-Term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are set out in the report in Appendix 2 section 3.

### Non-specified investments

These are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	<b>Non-Specified Investment Category</b>	<b>Limit (£)</b>
a.	<b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5 million
b.	<b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£12.5 million
c.	Any <b>bank or building society</b> that has a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£10 to £12.5 million depending on the institution
d.	Any <b>non-rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the same criteria as for the parent company and assurance on the robustness of the group structure.	As per parent company, but total limit not to be exceeded
e.	<b>Share capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	£20 million
f.	<b>Loan capital</b> in a body corporate. See note 1 below.	£30 million
g.	<b>Bond funds.</b> See note 1 below.	
h.	<b>Property funds</b> – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories b and c, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies.

### **The monitoring of investment counterparties**

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly) On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and new counterparties which meet the criteria will be added to the list.

## **Appendix 8: Treasury Managements Scheme of Delegation**

### **(i) Full council**

- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;

### **(ii) Cabinet**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing reports on treasury management policies, practices and activities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

### **(iii) S151 (responsible) officer**

- 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 of at least 20 years
- ensuring that the capital strategy is prudent, sustainable and affordable 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 authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investment so that the authority does not undertake a level of investing which exposes the authority 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 guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the authority
- ensuring that the authority 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 and managed, to include the following: -
  - risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investment: and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- training and qualification (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## **Appendix 5 MRP Statement**

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) and Guidance on Minimum Revenue Provision (MRP) requires full Council to approve a statement of its MRP policy in respect of the forthcoming financial year, indicating which of the four options set out in the Guidance are to be followed in the financial year:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

The Council has adopted Option 3 as its policy.

This means MRP will be based on the estimated life of the assets, in accordance with the regulations. This option provide for a reduction in the borrowing need over approximately the asset's life.

MRP in respect of leases brought on balance sheet under the IFRS-based Local Authority Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The Authority has established a wholly owned company (Broadland Growth Ltd) and has / will provide loans from the Authority to the company. With the exception of overdrafts for working capital purposes, the cash advances will be used by the company to fund capital expenditure and should therefore be treated as capital expenditure and a loan to a third party. If the Council borrows to fund these loans, the Capital Financing Requirement (CFR) will increase by the amount of loans advanced and once loans are repaid to the Authority the CFR will reduce accordingly.

As the Authority is satisfied that the company will make repayments over the life of the capital programme it is deemed not necessary to set aside MRP for repayment of this debt. However, if there is a doubt about the companies' ability to repay the loans, we will start to provide MRP over the life of the loans.

### **MRP Overpayments**

Any MRP charges made over the statutory minimum revenue provision (MRP), 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 until the 31 March 2020 the total VRP overpayments were £0.

## Appendix 6: Prospects for the Economy and Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and this appendix provides their advice on the economy and future interest rates.

### Interest Rates

Part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link's central view.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a "gradual pace and to a limited extent". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

### Bond yields / PWLB rates

There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with

inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bonds yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any



time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

### **Investment and borrowing rates**

Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long-term Bank Rate is not expected to rise above 2.5%, it is unlikely that the Council will do any further longer term borrowing for the next three years, or until such time as the extra 100 bps margin is removed. There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.