

Scrutiny Committee

Agenda

Members of the Scrutiny Committee:

Cllr G Minshull (Chairman)	Cllr J Rowe
Cllr V Clifford-Jackson (Vice Chairman)	Cllr R Savage
Cllr B Bernard	Cllr T Spruce
Cllr B Duffin	Cllr J Wilby
Cllr J Hornby	

Date & Time:

Thursday 11 February 2021
9.30am

Place:

To be hosted remotely at: South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

Contact:

Jessica Hammond tel (01508) 533706
Email: democracy@s-norfolk.gov.uk
Website: www.south-norfolk.gov.uk

PUBLIC ATTENDANCE:

This meeting will be live streamed for public viewing via the following link:

<https://www.youtube.com/channel/UCZciRgwo84-iPyRImsTCInq>

If a member of the public would like to attend to speak on an agenda item, please email your request to democracy@s-norfolk.gov.uk, no later than 5.00pm on Tuesday 23 February 2021.

Large print version can be made available

If you have any special requirements in order to attend this meeting, please let us know in advance.

AGENDA

1. To report apologies for absence and to identify substitute members;
2. Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act, 1972. Urgent business may only be taken if, “by reason of special circumstances” (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;
3. To receive Declarations of Interest from Members;
(Please see guidance form and flow chart attached – page 4)
4. **2021/22 Budget;**

Members of the Scrutiny Committee are invited to scrutinise the decisions made at Cabinet on 8 February 2021, which will be made available at the meeting. The recommendations of the Scrutiny Committee will be reported to Council on 24 February 2021.
 - a) **Capital Strategy and Capital Programme 2021/22 to 2025/26**
(report attached – page 6)
 - b) **Revenue Budget and Council Tax 2021/22** (report attached – page 25)
 - c) **Treasury Management Strategy Statement 2021/22** (report attached – page 50)
5. **Scrutiny Work Programme, Tracker and Cabinet Core Agenda;**
(attached – page 78)

Working Style of the Scrutiny Committee and a protocol for those attending

Independence

Members of the Scrutiny Committee will not be subject to whipping arrangements by party groups.

Member leadership

Members of the Committee will take the lead in selecting topics for and in questioning witnesses. The Committee will expect members of Cabinet, rather than officers, to take the main responsibility for answering the Committee's questions about topics, which relate mainly to the Council's activities.

A constructive atmosphere

Meetings of the Committee will be constructive, and not judgmental, accepting that effective overview and scrutiny is best achieved through challenging and constructive enquiry. People giving evidence at the Committee should not feel under attack.

Respect and trust

Meetings will be conducted in a spirit of mutual respect and trust.

Openness and transparency

The Committee's business will be open and transparent, except where there are sound reasons for protecting confidentiality. In particular, the minutes of the Committee's meetings will explain the discussion and debate, so that it could be understood by those who were not present.

Consensus

Members of the Committee will work together and, while recognising political allegiances, will attempt to achieve consensus and agreed recommendations.

Impartial and independent officer advice

Officers who advise and support the Committee will give impartial and independent advice, recognising the importance of the Scrutiny Committee in the Council's arrangements for governance, as set out in the Constitution.

Regular review

There will be regular reviews of how the overview and scrutiny process is working, and a willingness to change if it is not working well.

Programming and planning

The Scrutiny Committee will have a programme of work. Members will agree the topics to be included in the work programme, the extent of the investigation to be undertaken in relation to resources, and the witnesses to be invited to give evidence.

Managing time

The Committee will attempt to conclude the business of each meeting in reasonable time. The order of business will be arranged as far as possible to minimise the demands on the time of witnesses.

DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

<p>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> 1. affect yours, or your spouse / partner's financial position? 2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner? 3. Relate to a contract you, or your spouse / partner have with the Council 4. Affect land you or your spouse / partner own 5. Affect a company that you or your partner own, or have a shareholding in <p>If the answer is "yes" to any of the above, it is likely to be pecuniary.</p> <p>Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.</p>
<p>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</p> <p>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.</p>
<p>Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.</p>
<p>Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</p>

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST
INSTANCE**

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



CAPITAL STRATEGY AND CAPITAL PROGRAMME 2021/22 TO 2025/26

Report Author(s): Helena Craske
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Portfolio: Finance & Resources

Ward(s) Affected: All

Purpose of Report:

To present the Capital Strategy and the proposed Capital Programme for 2021/22 to 2025/26.

Recommendation:

Cabinet is asked to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2021/22-2025/26 (**Appendix B**).

1 SUMMARY

- 1.1 It is the responsibility of the Cabinet to prepare a budget for approval by the Council.
- 1.2 This report is one of a number of reports to be considered by Cabinet at this meeting to set the Council Budgets.
- 1.3 This paper focuses on the Capital Strategy and the associated Capital Programme.

2 BACKGROUND

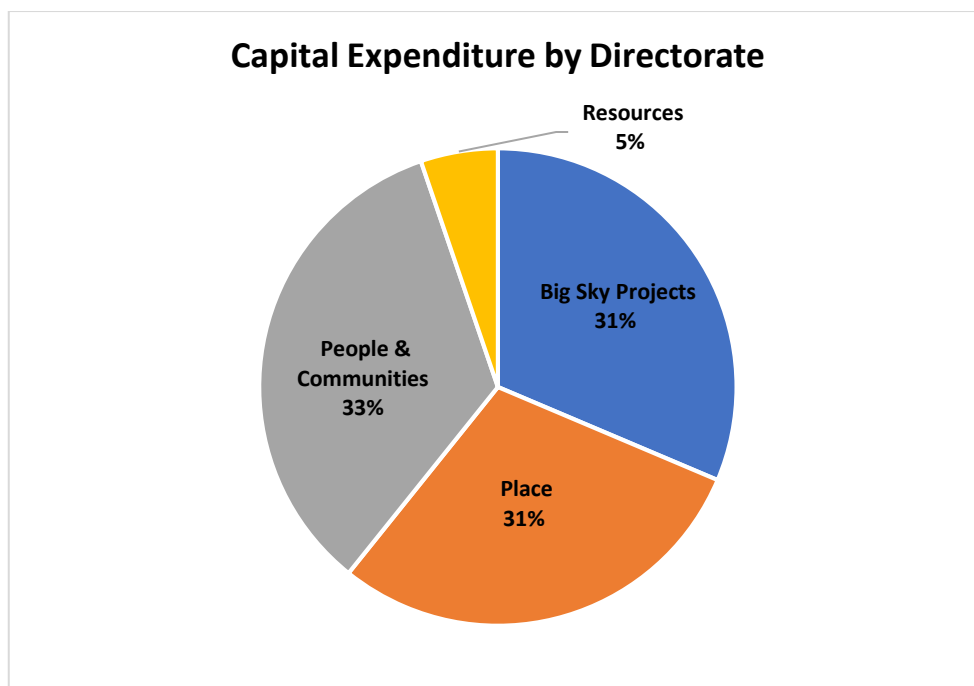
- 2.1 As part of the Council's budget process the Capital Strategy, and associated Capital Programme, is reviewed in order to assess, as part of the overall financial strategy of the Authority, what the scale and composition of the programme should be, and the consequential funding implications for the financial strategy.

3 CAPITAL STRATEGY

- 3.1 The Capital Strategy sets out the Council's approach to the use of its capital assets and resources. It is the framework for determining the capital programme and the effective use of the Council's resources.
- 3.2 This strategy seeks to deliver the Council's vision for the district as set out in the 2021/22 Delivery Plan. These ambitions are:
- Growing the Economy
 - Supporting individuals and empowering communities
 - Protecting and improving the natural and built environment, whilst maximising quality of life
 - Moving with the times, working smartly and collaboratively.
- 3.3 The Capital Strategy focuses investment to deliver these priorities while also contributing to the financial sustainability of the Council by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 3.4 The full capital Strategy is included as **Appendix A**.

4 SUMMARY OF CAPITAL PROGRAMME

- 4.1 The detailed five-year capital programme is shown in **Appendix B** and comes to £52.4 million. The pie chart below shows how the programme is broken down by Directorate over the next five years.



4.2 Expenditure by Directorate is summarised in the following sections.

5 PEOPLE AND COMMUNITIES

Leisure Provision

- 5.1 Expenditure on Leisure facilities has been budgeted to take place in order of priority over the next five years.
- 5.2 Only relatively minor improvement works are budgeted to take place during 2021-22 and these are to be financed from a new reserve which was created to ensure that resources are in place to fund the refurbishment and replacement of equipment and improvements to Leisure Centres when required.

Waste Services

- 5.3 The capital programme includes provision for improvements to the depot or development of a new depot. Options are currently being investigated and will be subject to a full business case.
- 5.4 Annual budgets are in place for the purchase of waste bins for homes in the district and for the replacement of waste vehicles.

Disabled Facilities Grant

- 5.5 The Council receives ring-fenced Disabled Facilities Grant funding from the Government through the Enhanced Better Care Fund managed by Norfolk County Council. The allocation for 2020-21 was £905k and is projected to remain at this level for future years. It is important that this funding is fully committed in each

year to avoid it having to be returned to Government. These grants are valuable in helping people stay in their own homes.

6 PLACE

Economic Growth

- 6.1 A budget of £429k has been included in the Programme for Town Centre Improvements in Harleston. This is to be financed using grant money from the Norfolk Strategic Fund.

7 BIG SKY PROJECTS

- 7.1 In July 2017 Cabinet agreed to provide funding to Big Sky Developments Ltd (BSDL) in relation to strategic housing and employment development opportunities and the capital programme includes the associated budgets for potential developments over the coming years, although the timing of expenditure is dependent upon the speed with which these opportunities are realised and is therefore not entirely within the Council's control.
- 7.2 BSDL has projected its cash requirements for the next five years and in order to ensure that they have the necessary cash to deliver their strategy, there will be a requirement for funding from South Norfolk Council of £7.45 million in 2021/22.
- 7.3 BSDL cashflow projections show that it can repay SNC loans totalling £21m between 2021-22 and 2023/24. These loan repayments are treated as Capital Receipts and have been accounted for in the funding of the capital programme.

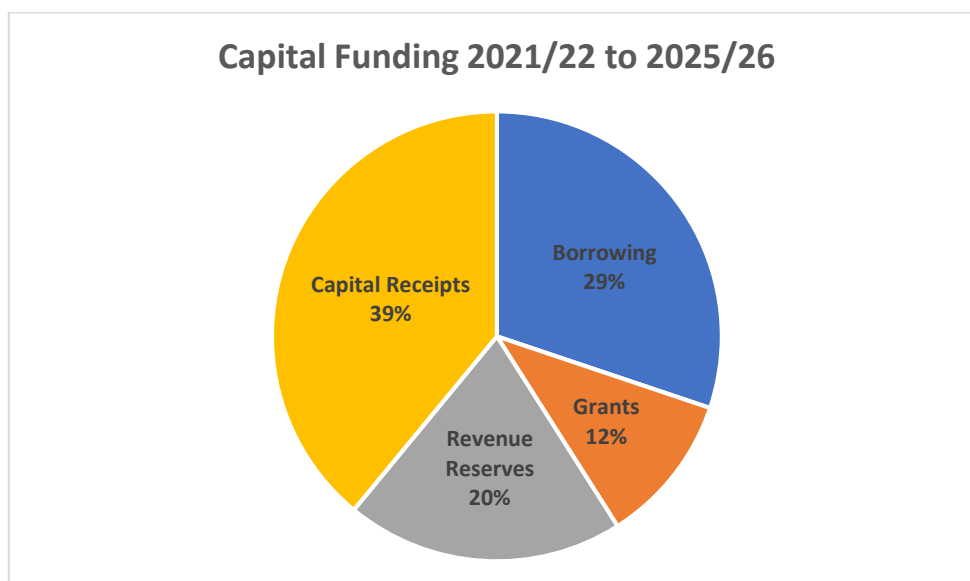
8 RESOURCES

ICT and Digital Investment

- 8.1 The capital programme sets aside the capital funding required to deliver the ongoing requirements for PC and server replacements, mobile working, equipment purchases and improvements to the website over the next five years.
- 8.2 There is an additional budget included in the programme for the investment in IT infrastructure and software upgrades that will be required to support the Council's IT network and systems. This work is being carried out in collaboration with Broadland Council in order to deliver better value for money and enable a fully joined up network going forward.

9 FINANCING THE CAPITAL PROGRAMME

- 9.1 This section focuses on the main sources of funding that are proposed to be used to fund the capital programme.
- 9.2 The size of the capital programme and the need to be prudent in the use of revenue reserves for capital purposes means that it is predicted that the Council will need to borrow to fund the capital programme over the next five years.
- 9.3 The new five-year capital programme will be financed from a mixture of revenue and capital reserves, capital receipts and grants, internal borrowing from cash balances, and external borrowing. The projected sources of funding are shown in the graph below and **Appendix B** provides further details.



Effect on Reserves

- 9.4 During the five-year programme £10.3 million of revenue reserves will be used to fund the programme as shown in the table below:

	£000
Refuse Reserve	5,000
New Ways of Working Reserve	2,622
Asset Replacement Reserve	1,098
Leisure Centre Reserve	1,041
Low Cost Housing (New Homes Bonus) Reserve	325
Car Park Upgrades Reserve	175
General Revenue Reserve	28
Total Use of Revenue Reserves	10,289

Capital Receipts

- 9.5 The programme includes repayment of loans from Big Sky Developments Limited funded by property sales from the development at St Giles Park, Cringleford, and future developments in the District. These are subject to the prevailing housing market conditions at the time of sale. They could therefore fluctuate, and this is a risk to the funding of the programme which needs to be managed.
- 9.6 As part of the transfer of the housing stock to Saffron Housing Trust the Council will continue to receive income from for the sale of right to buy properties. Right to buy receipts in future years are prudently projected to be less than current amounts as the number of properties available for sale decreases over time.

Borrowing

- 9.7 As resources reduce, the Council will have a need to borrow to fund capital projects.
- 9.8 It is likely that there will be slippage over the life of the programme which could delay the need to borrow. In the first instance, the Council will be able to borrow internally from its own cash balances. The cost of this would be the interest foregone from investing the cash with external counterparties.

10 OTHER OPTIONS

- 10.1 Cabinet can propose changes to the Capital Strategy and Capital Programme, before recommending these to Council for approval.

11 ISSUES AND RISKS

Resource Implications

- 11.1 The size and composition of the capital programme has a significant impact on the medium-term financial plan.

Legal Implications

- 11.2 The Council is required to set a budget for 21/22.

Equality Implications

- 11.3 Officers believe that this budget presents no significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.

Environmental Impact

- 11.4 There is no direct environmental impact arising from this report.

Crime and Disorder

- 11.5 There is no direct crime and disorder impact arising from this report.

12 CONCLUSION

- 12.1 The attached Capital Strategy and Capital Programme is affordable and supports the Council's priority areas.

13 RECOMMENDATION

- 13.1 Cabinet is asked to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2021/22-2025/26 (**Appendix B**).

Background Papers

None

Appendix A: Capital Strategy 2021/22 to 2025/26

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.
- 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 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 our 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 and improving 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 The capital strategy helps address the strategic long-term purpose of investment and therefore stretches for many years.
- 4.4 The strategy 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 are set out in the capital programme.
- 5.3 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 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 assets which are likely to present the greatest ongoing capital liability for the Council over the next 20 years are as follows:

Asset	Net Book Value as at 31.3.20
South Norfolk House	£3,290,150
Wymondham Leisure Centre	£10,188,000
Long Stratton Leisure Centre	£4,146,000
Diss Leisure Centre	£2,668,000
Commercial Units	£12,508,069

- 6.2 An accommodation review will be carried out to consider the long-term accommodation strategy. Condition Surveys are commissioned and the results of these will assist in the quantification of future capital liability.
- 6.3 The Council has adopted a Commercialisation Strategy, which helps guide how we invest in our income generating assets. Over the past few years significant investment has gone into the Council's three leisure centres in order to increase footfall and work towards a subsidy free service.

- 6.4 The Council also has a portfolio of commercial units. These supports the Council's economic development strategy and also provide a financial return to the Council.
- 6.5 In addition to these assets, significant capital expenditure will need to be incurred on the upgrade of IT equipment and improvements to the IT Infrastructure
- 6.6 Currently, the Council holds £33,428,000 in loans and equity in its commercial companies. Budgets are in place to lend a further £6.2m by 31st March 2021. These investments have been made as part of the capital programme and need to be considered as part of this Capital Strategy.
- 6.7 Under the Treasury Management Code, for all non-treasury investments, i.e. commercial activity, the Council is required to approve annually a schedule of existing material investments, subsidiaries and joint ventures and liabilities and its risk exposure. This is contained in Annex 1 for approval. The level of risk exposure is taken to be the value of these investments which will vary over time but are shown as at 31 March 2020.

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.
- 7.3 The proposed total resources available to finance the current capital programme going forward from 2021/22 and slippage from 2020/21 will be in the region of £52.4 million as set out below:

Resources	£million
Capital Receipts	20.3
Grants (incl. S106 funds)	6.3
Revenue Reserves	10.3
Borrowing Requirement	15.5
Total	52.4

- 7.4 The use of reserves means that the Council's cash is projected to reduce in the short term. This reduction means that further capital expenditure in this period would need to be funded from generating additional resources or external borrowing.

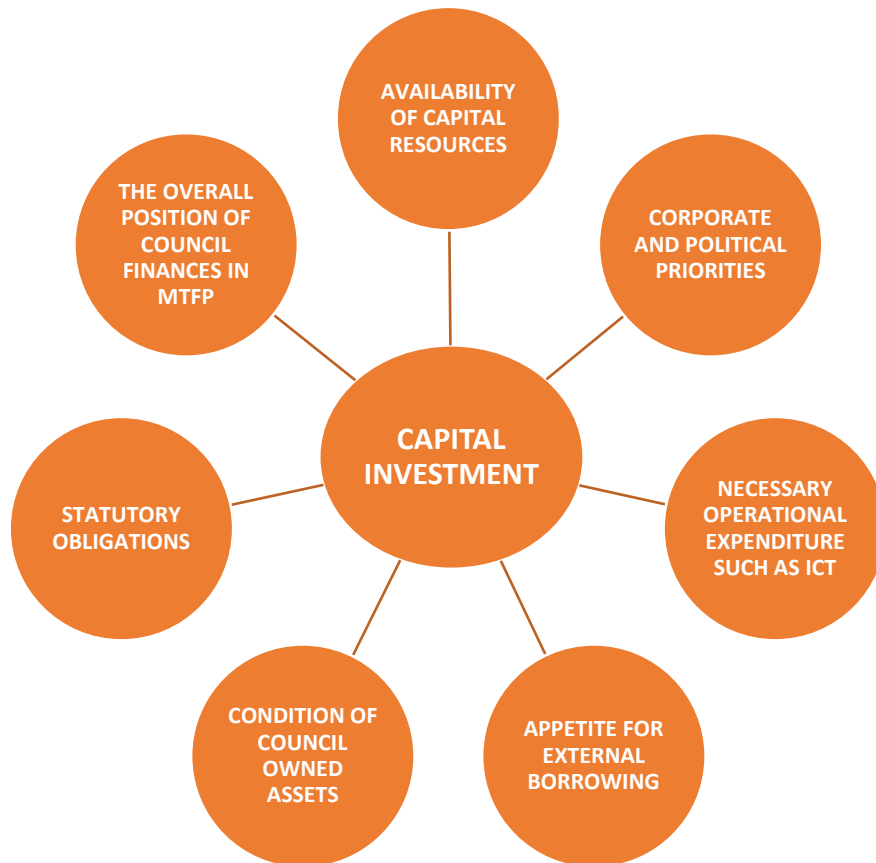
8 Borrowing

- 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. All the Council's commercial investments are within the District and intended to deliver economic and housing regeneration and growth as well as a financial return.
- 8.4 The need to borrow is not based on our levels of investment balances/reserves but on the Council's capital financing requirement (CFR).
- 8.5 The total amount of debt that the Council can take on needs to be affordable. Affordability will be kept under review as part of the Treasury Management Strategy and when setting revenue and capital budgets It will reflect the need for prudence along with the risk appetite of the Council.
- 8.6 There are many sources of borrowing available to the Council and it is likely that the Council will utilise a mix of these to spread the risk around loan maturities and future interest rates. Sources include:
- Public Works Loan Board (PWLB)
 - Borrowing from other local authorities
 - Borrowing via the Municipal Bonds Agency (MBA)
 - Borrowing from institutions such as the European Investment Bank and directly from commercial banks
 - Borrowing from the money markets
 - Local Authority stock issues and bills
 - Commercial paper
 - Structured finance.
- 8.7 Government has issued Operational Circular 162 which took effect from 26 November 2020, setting out the PWLB lending arrangements that will apply to any loans arranged from that date. Government's intention, as stated in the Guidance, is "to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield". As such the PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB. SNC has no such projects in its Capital Programme.

- 8.8 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.

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 Within the funding constraints outlined above, it is necessary to set clear priorities for capital expenditure. All expenditure proposals require a clear business case to justify the expenditure. The policy on capitalisation is included in the Council's annual accounts. Capital expenditure is authorised by Cabinet and Full Council through the budget setting process and monitored on a quarterly basis through reports to Cabinet.
- 9.3 Potential proposals should be assessed in line with the Council priorities. The table below highlights capital expenditure that is already planned or could be undertaken to meet the Council's priorities:

Growing the Economy	Supporting individuals and empowering communities	Protecting and improving the natural and built environment, whilst maximising quality of life	Moving with the times, working smartly and collaboratively
Property Development at Cringleford	Further enhancement of SNC Leisure Facilities	Development/Purchase of Low Cost/Affordable Housing	Delivering the ICT Strategy and Digital Transformation
Other Property Development	Disabled Facilities Grants	Waste Vehicle Replacement	Improvements to the Council's operational buildings
Strategic Economic Developments to boost growth	New/enhanced Leisure facilities in partnership with other bodies	Refurbishment/Replacement of Kettering ham Depot	
Improvements to the Council's current commercial properties		Waste/Recycling Bin Purchases	
		Street Lighting Replacement Programme	
		Play Area Refurbishments	

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 South Norfolk Council's collaborative working with Broadland 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 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 another view of financial sustainability. This is set out in the Treasury Management Strategy elsewhere on this agenda.
- 13.4 The key 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 5 years.

Annex 1: Schedule of Non-Treasury Investments

Investment	Value in the Council's Balance Sheet at 31 March 2020
Big Sky Ventures Ltd – Equity Shares	£6,468,000
Big Sky Developments Ltd - Loans	£11,000,000
Big Sky Property Management Ltd - Loans	£3,160,000
Crafton House	£1,806,000
Rectory Road, Dickleburgh - Agricultural Land	£1,347,500
Wym - Ayton Road	£1,347,100
Rushall Road, Harleston - Agricultural land	£1,043,200
Shotesham Road, Poringland - Commercial Development Land	£559,400
9-11 Mere Street, Diss	£815,500
Trumpeter House	£910,200
Loddon Business Centre	£557,400
Friarscroft Lane, Wymondham - Development Land	£522,200
Unit 18A Harleston	£481,800
Former Wym Town Council Office, Middleton St	£323,200
Gissing - Residential Development	£166,900
Unit 19A Harleston	£219,700
21 Penfold Drive, Gateway 11, Wymondham NR18 0WZ	£187,500
15 Vincess Road, Diss	£185,000
Ketteringham Depot-Unit 1 & 2 Station Lane	£174,700
Dereham Road, Costessey Caravan Site	£220,100
Unit B17 Owen Rd Diss	£182,600
Unit B19 Owen Rd Diss	£182,600
13 Vincess Road, Diss	£166,500
The Lodge, Maple Park	£113,000
Unit 5b Owen Road Diss IP22 4ER	£97,600
9 Park Road Diss	£13,300
4 Garages Thomas Manning Road	£71,800
Park Road Diss - Land - Bus Depot Diss	£53,600
3 Garages Chapel Street Diss	£72,100
Friarscroft Lane, Wymondham - Garden Lane Rear of 23-37	£45,000
Eleven Mile Lane, Sutton, Wymondham - Paddock Land	£25,200
Parking Plots in Long Stratton	£1,900
Garden Plot, Station Close, Swainsthorpe	£200
	£32,520,800

Appendix B - South Norfolk Capital Programme

<u>Scheme</u>	Team	Provisional Projects - i.e. those requiring a business case and/or Member approval to progress	Estimate 2021/22 £	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Total
Funding to finance BSD's 5 year strategy	-	Y	7,450,000	4,000,000	3,000,000			14,450,000
Poringland Phase 3	-	Y	1,700,000					1,700,000
Total Big Sky Projects			9,150,000	4,000,000	3,000,000	0	0	16,150,000
IT - Annual Replacement Programme	ICT & Digital		125,000	125,000	125,000	125,000	125,000	625,000
IT - Website / Digital	ICT & Digital		55,000					55,000
IT - System Replacement Programme	ICT & Digital	Y	442,250	375,000	375,000	375,000	375,000	1,942,250
South Norfolk House - Replacement of Boilers	Facilities			50,000				50,000
South Norfolk House -Replacement of the Felt on the Roof	Facilities			20,000				20,000
Total: Resources			622,250	570,000	500,000	500,000	500,000	2,692,250
Play Area Refurbishments - Sites <u>with</u>	Economic Growth		25,150		113,973	49,946		189,069
Commuted Sums	Economic Growth		112,000	24,240	24,240	24,240	24,240	208,960
Street Lighting	Economic Growth		21,348					21,348
Car Park Strategy	Economic Growth		28,000					28,000
Installation of Electric Car Charging Points	Economic Growth		428,572					428,572
Norfolk Strategic Fund to support Economic Growth	Economic Growth							
Norwich Research Park Enterprise Zone Building	Economic Growth		900,000					900,000
Property Development	Economic Growth	Y	7,000,000					7,000,000
Land Purchase for Property Development	Economic Growth	Y	2,750,000					2,750,000
Other Property/Economic Development Investment	Economic Growth	Y		4,500,000				4,500,000
Total Place			11,265,070	4,524,240	138,213	74,186	24,240	16,025,949

<u>Scheme</u>	Team	Provisional Projects - i.e. those requiring a business case and/or Member approval to progress	Estimate 2021/22 £	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Total
Further Works at Wymondham Leisure Centre	Leisure		105,465	70,000	20,000			195,465
Diss LC - Poolside Improvements & Tank Tiles	Leisure				300,000			300,000
Further Works at Diss Leisure Centre	Leisure		130,000		30,000			160,000
Further Works at Long Stratton Leisure Centre	Leisure		60,000		25,000			85,000
Framingham Earl High School	Leisure	Y	220,000	80,000				300,000
Ketts Park - Tennis Facilities	Leisure	Y	366,886					366,886
Ketts Park Kitchen	Leisure	Y		25,000				25,000
Long Stratton Pool	Leisure		110,000					110,000
Wheeled Bin Purchase	Waste		150,000	150,000	150,000	150,000	150,000	750,000
Vehicle Procurement and Replacement	Waste		748,000	760,000	760,000	760,000	760,000	3,788,000
Grounds Maintenance Equipment	Waste				65,000	45,000	15,000	125,000
Depot Refurbishment/Replacement	Waste	Y	2,500,000	1,000,000	3,000,000			6,500,000
Car Park Resurfacing	Waste		35,000	35,000	35,000	35,000	35,000	175,000
Disabled Facilities Grants	Housing		900,000	900,000	900,000	900,000	900,000	4,500,000
New Project - Security Improvements to Temporary Accommodation	Individuals & Families	Y	10,000					10,000
New Project - Bawburgh Travellers site	Individuals & Families	Y	114,000					114,000
Total People & Communities			5,449,351	3,020,000	5,285,000	1,890,000	1,860,000	17,504,351
Total			26,486,671	12,114,240	8,923,213	2,464,186	2,384,240	52,372,550

FINANCING

Grants	2,432,848	937,240	1,026,213	962,186	912,240	6,270,727
Revenue Reserves	4,856,103	1,752,000	2,477,000	602,000	602,000	10,289,103
Capital Receipts	3,672,720	9,425,000	5,420,000	900,000	870,000	20,287,720
Borrowing	15,525,000	-	-	-	-	15,525,000

Total	26,486,671	12,114,240	8,923,213	2,464,186	2,384,240	52,372,550
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REVENUE BUDGET AND COUNCIL TAX 2021/22

Report Author(s):	Rodney Fincham, Assistant Director - Finance t 01508 533982 e rfincham@s-norfolk.gov.uk
Portfolio Holder:	Finance & Resources
Ward(s) Affected:	All wards
Purpose of the Report:	This report provides information affecting the Council's revenue budget for 2021/22 in order for the Cabinet to make recommendations to Council on 24 th February regarding the Council's budget and council tax for 2021/22.

Recommendations:

- 1 That Cabinet recommends to Council:
 - The approval of the base budget; subject to confirmation of the finalised Local Government Finance Settlement figures which may necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget. Authority to make any such change to be delegated to the Assistant Director of Finance.
 - The use of the revenue reserves as set out in **Appendix E**.
 - That the Council's demand on the Collection Fund for 2021/22 for General Expenditure shall be £8,037,280 and for Special Expenditure shall be £7,192.
 - That the Band D level of Council Tax be £160.00 for General Expenditure and £0.14 for Special Expenditure.
- 2 That Cabinet agrees:
 - Changes to the proposed fees and charges as set out in section 5.
- 3 That Cabinet notes:
 - The advice of the Section 151 Officer with regard to section 25 of the Local Government Act 2003, contained in section 10 of this report.
 - The future budget pressures contained in the Medium-Term Financial Strategy.

1 SUMMARY

- 1.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by Council. Based on consideration of the information in this report, Cabinet needs to make recommendations to the Council meeting in February where the council tax, including the element relating to preceptors, will be decided.
- 1.2 This report presents a summary of the Council's draft 2021/22 Revenue Budget and contains details of the proposed fees and charges for 2021/22.
- 1.3 This report is divided into a number of sections that as a whole cover the various elements that need to be considered when setting the Council's budget for the coming year and the council tax for the District.

Section 2	Revenue Budget Requirement 2021/22
Section 3	Local Government Finance Settlement
Section 4	Budget Consultation
Section 5	Fees & Charges
Section 6	Medium Term Financial Strategy
Section 7	Reserves
Section 8	Council Tax
Section 9	Special Expenses
Section 10	Advice of Chief Finance Officer

2 REVENUE BUDGET REQUIREMENT 2021/22

- 2.1 The proposed revenue budgets and associated Delivery Plan seek to advance the Council's priority areas:
- Growing the Economy
 - Supporting individuals and empowering communities
 - Protecting and improving the natural and built environment, whilst maximising quality of life
 - Moving with the times, working smartly and collaboratively.

- 2.2 The draft budget requirement for 2021/22 is summarised in the following table.

	Pay £'000	Non Pay £'000	Income £'000	Net £'000
Resources / MD	3,922	6,800	-2,055	8,667
Place	4,757	2,842	-6,111	1,488
People & Communities	8,006	28,034	-30,692	5,348
Net Cost of Services (Including HB)	16,685	37,676	-38,858	15,503

- 2.3 A more detailed breakdown is shown in **Appendix A**, and the main changes to the base budget are as shown in **Appendix B**.
- 2.4 All spending areas have been reviewed to ensure that there are appropriate budgets for service areas, and these accord with the Delivery plan.

Staffing Costs

- 2.5 The proposed budget includes provision for a cost of living rise of 1%. The actual award will be determined under local pay bargaining arrangements.
- 2.6 The proposed budget also includes £200,000 for performance related pay and vouchers / team awards. The reward scheme details are yet to be agreed.
- 2.7 Within the staffing budgets, most areas have either a static establishment, or a small reduction where saving have been generated via the One Team savings programme. There are however a few areas where staff numbers have increased as follows:
- Recovery Officers – There are an extra 1.6 FTE temporary Council Tax / Business Rates recovery officers. These are fully funded by Norfolk County Council.
 - IT – There are 2 additional temporary IT officers to help implement the significant IT programme.
 - Community Connectors – Funding has been secured to increase the SNC connector establishment by 4 FTEs to 10 FTEs. All community connectors are funded by Primary Care Networks (NHS).
 - District Direct - Additional District Direct officer on a 12 month contract to cover mental health discharges. This post is fully externally funded by Adult social care, integrated commissioning team.
 - S106 / CIL – The team administering CIL has been increased from 2.7 to 3.2FTE. The cost of this team is fully covered by the CIL 5% admin fee which for 21/22 is likely to be in the order of £250,000. This increase will help the team not only focus on collecting the money, but also on supporting parishes, and ensuring that CIL receipts are applied to fund projects.
 - Recycling – An additional 0.6 FTE Recycling and Partnership officer has been included. This is on the basis of them being able to drive up recycling rates and thus generating additional recycling credits to offset the additional cost.
 - Marketing and Comms – Temporary roles have been added to the marketing and comms team to provide additional support to the Council's Covid communication response and broader marketing and communications activities. The posts have been covered within the existing team budget, Covid response budget, and additional advertising revenue.
 - Green Waste – It has been necessary to expand the green waste team by 1.5 FTEs to meet the ongoing growth in demand. This cost is fully covered by the additional income generated by the expanded service.
- 2.8 All the posts have been included based on there being member agreement to the change, or there being no net additional cost to the Council.
- 2.9 Members will also be aware of a number of temporary additional roles to support the Council's Covid response. These are being fully funded from Covid grant monies and again do not represent any additional cost to the Council.
- 2.10 Members will also recall that at the cabinet meeting on 2 November it was decided to defer consideration of increasing the budget to help implement the actions set out in the Environmental Strategy. As such this additional resource is not included in the 21/22 budget.

Community Infrastructure Levy (CIL)

- 2.11 CIL is not included within the Council's revenue budget as it relates to funding for infrastructure and is accounted for separately to the Council's revenue budget, with the exception of the agreed 5% proportion for administration of the scheme by the Council, which is estimated to be £250,000 in 21/22.

20/21 Budgetary Performance

- 2.12 Quarter 3 monitoring predicts an anticipated year end favourable variance against the current year latest budget of c£2m. This underspend is primarily due to:
- Salary savings due to vacancies
 - Savings in leisure compared to the amended budget - At the start of the pandemic the net cost of leisure was expected to increase from £0.4m to £1.3m. The current estimate is that the cost will be £0.7m ie This is £0.6m better than the amended budget, but still £0.3m worse than the original budget.
 - Additional income from land charge fees, and recycling credits
 - Operational cost savings within services, particularly within waste and planning, and
 - Increased investment income.
- 2.13 For 2021/22 any recurring savings or additional income arising from the current financial year have been taken into account.

Joint Working

- 2.14 As a result of the joint working with Broadland, the workforce operates as 'one team' supporting two councils. Some staff are still fully charged to one authority (for instance all leisure staff are charged to SNC as only SNC operate leisure centres). However, all joint costs have been split SNC 55% / BDC 45% from 1 January 2020 onwards.
- 2.15 In order to monitor the savings from the joint working with Broadland, a Cost and Saving Tracker is maintained, and this has been regularly reported to the Joint Lead Members Group (JLMG). Going forward it is proposed that this is reported to Joint Informal Cabinet.
- 2.16 The Cost and Saving Tracker estimates that cumulative net savings of £2.26m will have been delivered by the end of 20/21, and we are on track to deliver over £8.7m gross (£7.5m net) savings within 5 years. These savings are shared between BDC and SNC. All the savings delivered to date have been built into the 21/22 budgets.

COVID Budgets

- 2.17 Covid will have a long lasting impact on our residents, businesses and our operations. For 21/22 the budgets include provision for £794,000 of additional expenditure to respond to Covid. This is fully funded from Government grants.
- 2.18 In addition, it is likely that some of the budgets allocated to support our Covid response in the current year will be carried forward as a number of our support programmes will be continuing into 21/22.

- 2.19 A further report will be presented to members with details of the Covid support proposals for 21/22 in due course.

Leisure Services

- 2.20 Leisure services are an important contributor to public health and general wellbeing. The service provided by SNC is valued, and is seen as an important element of the Council's overall service provision.
- 2.21 Over the past 6 years the Council has invested over £8.3m in the leisure facilities and the number of leisure users had been rising with almost a million visits in 19/20. The Council had also made substantial progress towards its aim of delivering a cost neutral service - ie where the income from running the facilities, fully covers the running costs, without needing a subsidy from the general council taxpayer.
- 2.22 The leisure service has however been hit hard by the enforced closures of the leisure centres due to Covid. Leisure income has fallen from over £3m a year to only a few hundred thousand in 20/21.
- 2.23 Going forward, it is predicted that residents will return to using the leisure facilities. However, it is likely to take a number of years for usage to return to pre-Covid levels.
- 2.24 As such the Council will be required to financially support the leisure service in the short term. Our target is that the service will require no more than £2.5m of support over the next 3 years, and a detailed recovery plan is being drawn up to achieve this. It is considered appropriate to support the service to this level due to the public benefit that leisure provides – leisure services will provide an important part of the Council's support to enable a healthy recovery from Covid.
- 2.25 Until the detailed recovery plan is finalised it is difficult to be precise about the financial support that will be required in 21/22. The leisure budgets have therefore been drawn up on a prudent basis as follows.

Year	
20/21 – Original estimated net running cost	379
20/21 – Current estimated net running cost *	768
<i>* Includes the income from the Governments income loss scheme</i>	
21/22 – Estimated net running cost	1,564
22/23 – Estimated net running cost	814
23/24 – Estimated net running cost	114
	<u>2,492</u>

Looking after our Environment

- 2.26 Protecting and improving the natural and built environment, whilst maximising quality of life is one of the Council's key aims. This encompasses many different elements from looking after the place we live, to helping to address climate change.
- 2.27 As mentioned in paragraph 2.10 above, at present the 21/22 budgets do not include additional provision to help implement the actions set out in the Environmental Strategy.
- 2.28 In addition, in response to the recent flooding in the district, the Council is currently reviewing whether the Council needs to invest more to support flooding resilience and

protecting our environment. The SNC Scrutiny Committee on 27 Jan recommended that additional staffing capacity is needed to address:

- emergency incident call handling and response
- serious out of hours environmental problems
- additional fly tipping investigative capacity during evening hours

2.29 At present no additional budgetary provision has been included in the 21/22 budget for these matters.

2.30 Cabinet may therefore wish to request that a future report is brought to members during the early part of 21/22 to address these matters, and any resulting financial need will be considered at that point.

Alternatively, Cabinet could decide at this meeting to earmark some of the £436,000 that is currently proposed to be added to balances for this purpose.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 The Provisional Local Government Finance settlement for 2021/22 was announced on 17th December 2020.

3.2 The Final Local Government Financial settlement will be announced in the coming weeks and officers will provide a verbal update to the Cabinet meeting if information is available at that time. It is proposed that any changes from the provisional settlement are managed through reserves, so as not to impact on Council Tax setting and that this is delegated to the s151 Officer.

Grant Figures

3.3 The following table shows the key grant figures.

	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
Business Rates Baseline (Note 1)	10,580	10,846	11,788	11,275	11,275
Business Rate Tariff	-7,665	-7,843	-8,431	-8,154	-8,154
Baseline Need	2,915	3,003	3,357	3,121	3,121
New Homes Bonus	4,390	3,838	3,941	4,522	3,577
Lower Tier Services Grant					447
Revenue Support Grant	832	417			
Total	8,137	7,258	7,298	7,643	7,145

Note 1: The Business Rates baseline is the predicted / reference level of Business Rates that the authority is expected to retain. This is different to the actual amount retained which includes a proportion of the growth in business rates..

3.4 The Lower Tier Services Grant is a new grant this year and is in response to the current exceptional circumstances. The Government has stated that this is a one-off, and that no local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.

3.5 The above table demonstrates the Councils reliance on Business Rates income and new homes bonus.

Business Rates Income

- 3.6 Members will be aware that the Norfolk Local Authorities are participating in a business rates retention pool scheme during 2020/21. Furthermore, the Norfolk authorities agreed that any additional retained growth from pooling was allocated to a Norfolk wide 'Joint Investment Fund' which is used to fund projects across Norfolk.
- 3.7 However, the risk of a significant drop in Business Rate income during 2021/22 means that the Norfolk authorities collectively do not consider it prudent to continue with pooling for 2021/22.
- 3.8 The decision not to pool for 2021/22 means that there will not be any addition to the 'Joint Investment Fund', rather than there being a loss of income direct to SNC.

New Homes Bonus Grant

- 3.9 The provisional allocation for 2021/22 is £3,577,209 of which £52,360 relates to the Affordable Homes Premium (187 x £350 x 80%). The New Homes Bonus Grant for 2020/21 was £4,522,143.
- 3.10 A small proportion of the New Homes Bonus is passed over to the Broads Authority for new homes built within its area, reflecting their role as the planning authority.
- 3.11 The amount of income from New Homes Bonus (NHB) will reduce in the future. The 2021/22 element of NHB will be paid for one year only, and the Government is due to consult on the future of this housing incentive. The indication is that this change will include moving to a new, more targeted approach which is aligned with other measures around planning performance. A new approach is a risk for South Norfolk within the medium-term financial plan.
- 3.12 At present the existing New Homes Bonus is estimated to fall to:
- £1.421m in 2022/23
 - £0.250m thereafter.

Service Specific Grants

- 3.13 The Council continues to receive Housing Benefit Administration Grant for the administration on Housing Benefit. However, this is reducing over time as the benefit moves over to Universal Credit.
- 3.14 The Council will receive £222,450 in Homeless Prevention Grant in 2021/22. This represents an increase of £53,487 over the Flexible Homelessness support grant and homeless reduction grant received in 2020/21.

4 BUDGET CONSULTATION

- 4.1 The Council undertook a budget consultation via its website between 24 November 2020 and 4 January 2021.
- 4.2 The consultation received 23 responses, and therefore may not be representative of the population.
- 4.3 The key messages from this year's budget consultation exercise are:

- There was 70% support to target resources primarily on those most in need.
- There was a more mixed response to investing in commercial ventures - 61% support.
- There was 70% support for targeting resources to encourage business growth.
- There was 70% support for charging service users for discretionary services, as opposed to charging general taxpayers.
- There was a more mixed response for increasing council tax to protect services - 52% support.

4.4 The full Budget Consultation results are shown in **Appendix C**.

5 FEES AND CHARGES

5.1 In line with the Council's Charging Policy (as amended) [see note below], it is proposed to increase most discretionary fees and charges this year in line with inflation, based on the September RPI figure of 1.1%.

[SNC Charging Policy Note:

Cabinet on 24 October 16 agreed a charging policy which stated:

all fees or charges are increased by the level of inflation (as measured by the Retail Prices Index in December)

However, this was amended by Cabinet on 4 Feb 19 so

that future increases to fees and charges will be linked to the September Retail Price Index each year.]

Garden Waste Brown bin

5.2 The proposed Garden Waste Brown bin charges are as follows:

	20/21 charge	21/22 proposed charge
Direct Debit customers	£50.20	£50.75
Non-Direct Debit Customer	£56.30	£56.90

Increases calculated by adding the September RPI rate of 1.1% to the 2020/21 charges.

Planning Pre Application Advice

- 5.3 As part of a review of the pre app service, it is proposed to adjust the current categories and associated charges. The current categories are minor (1 to 9 dwellings), medium (10 to 199 dwellings) and major (200 + dwellings).
- 5.4 Following feedback from developers and agents, it is proposed to split the minor category into 2 categories to support smaller developers (1 to 2, and 3 to 9 dwellings) as at present an enquiry for 1 dwelling pays the same as for 9 dwellings. For the medium scale, it is also proposed to reduce the upper limit from 199 dwellings to 50 dwellings, as it is considered that schemes above 50 are more strategic in nature and have a more complex range of issues associated with them. It is also proposed to include a flat rate fee for general enquiries and to charge for all householder enquiries.
- 5.5 The overall income is similar to current income, but that the charges are more proportionate to the scale of the development.

- 5.6 The table below sets out the current fees and the proposed revisions to the fees.

SNC Current category	SNC Current fee		SNC Proposed category	SNC fee 2021/22
Householder	£43		Householder	£60
Enquiry (adverts, change of use, trees, listed buildings, prior notifications)	Free		Enquiry (adverts, change of use, trees, listed buildings, prior notifications)	£80
			Small minor (1 to 2 dwellings)	£100
			Small minor office meeting (1 to 2 dwellings)	£150
Minor (1 to 9 dwellings)	£259		Minor (3 to 9 dwellings)	£200
Minor office meeting	£388		Minor office meeting	£300
Minor site meeting	£453		Minor site meeting	£400
Medium (10 to 199 dwellings)	£1,940		Medium (10 to 50 dwellings)	£900
Medium office meeting	£2,263		Medium office meeting	£1,200
Medium site meeting	£2,325		Medium site meeting	£1,500
Major (200 + dwellings)	£3,236		Large (50 + dwellings)	£3,000
Major office meeting	£3,881		Large office meeting	£3,400
Major site meeting	£4,009		Large site meeting	£3,800

Note: The Development Management definition of "major" is 10 or more dwellings, the above categories do not therefore directly relate to this terminology.

High Hedges

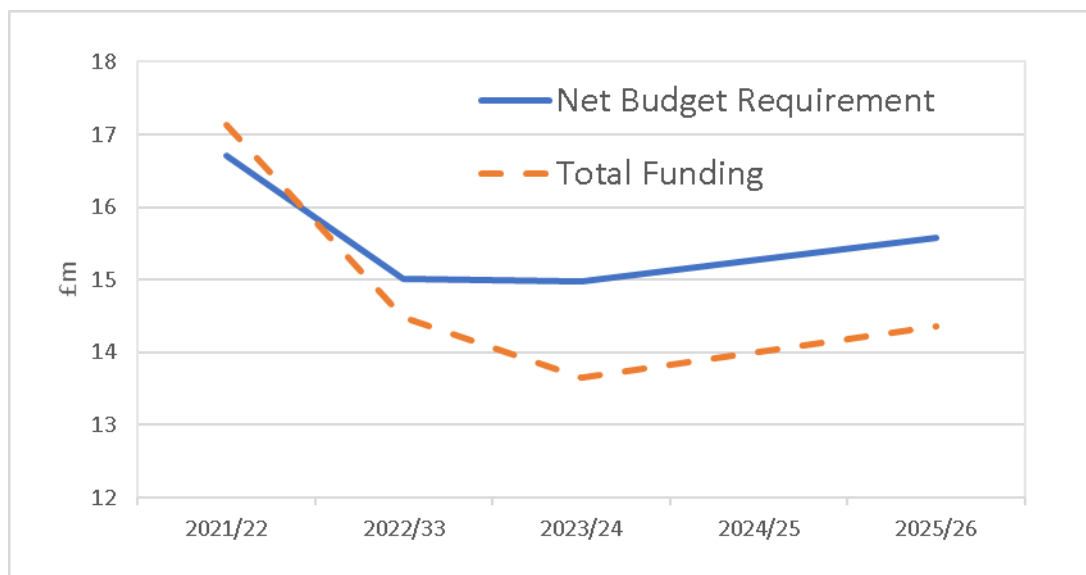
- 5.7 High hedge applications are now determined by the joint Compliance team. SNC fee is currently £383.80 and SNC offer 50% reduction for persons in receipt of Council Tax Support, Housing Benefit or Pensioners Credit. BDC fee is £358.50 and BDC offer 100% exemption for persons in receipt of Council Tax Support or Housing Benefit.
- 5.8 It is proposed to align the fee to £358.50 and offer 100% exemption for persons in receipt of Council Tax Support or Housing Benefit. On average we receive 2 applications per year and while this is a reduction in fee, it will not result in a significant loss of income.

Leisure Fees

- 5.9 The Council's leisure offering has been significantly affected by the Covid lockdowns. As such leisure fees and charges will be subject to a separate report.

6 MEDIUM TERM FINANCIAL STRATEGY

- 6.1 The following graph shows the Council's projected Net Budget Requirement compared to the predicted Total Funding over the next few years.



- 6.2 This shows a funding gap developing in 2022/23 of approximately £0.5m, which increases to over £1m in later years. The primary reason for this is the expected reduction in new homes bonus grant after this year.
- 6.3 Furthermore, a number of key decisions made over the past year, have resulted in additional cost pressures and / or potential savings not being able to be delivered. The impact of this is that the funding gap has not reduced. This means that over the coming years the Council could well be faced with some very difficult decisions in order to balance the long term budgetary position.
- 6.4 The likely reduction in future funding and the need to finance the 5-year capital programme are key reasons why it is recommended to increase the 2021/22 Council Tax. Increasing Council Tax in 2021/22 protects the Council's income base and helps prevents future service cuts. The additional income in 2021/22 is part of a wider plan on financing the Council's ambitious 5-year capital programme and reduces the amount of external borrowing required.
- 6.5 **Appendix D** provides the Medium-Term Financial Plan (MTFP) figures supporting this graph.
- 6.6 The figures in the plan are based on the 2021/22 Local Government Finance Provisional Settlement. Future year funding figures are uncertain due to the Government's ongoing funding review, which is expected to be consulted on in 2021/22 and introduced for 2022/23.
- 6.7 The Council has benefited from growth in Business Rates income. Changes to the Business rates retention scheme are expected in 2022/23. However as yet we do not know what impact these will have on the Council.

6.8 The key messages from the MTFP are:

- That further savings/income will need to be made over the plan period.
- It is anticipated that the existing New Homes Bonus grant will be phased out, and replaced with a smaller scheme.
- Changes are anticipated but unknown at this stage in relation to business rates income and also the fairer funding review.
- Work to deliver the savings envisaged from the collaboration with Broadland Council is an important factor in maintaining a balanced budget.
- The ambitious five-year capital programme, which is also on this agenda, will have revenue budget implications both in terms of financing and other budget lines such as IT licences depending on the individual project.
- With significant pressure on the Council's budget over the medium term, the Medium-Term Financial Strategy includes future Council Tax increases of £5.00 a year which is the maximum increase currently permitted for District Councils without a referendum being triggered.

Borrowing

- 6.9 Future years' capital programmes will be funded partly through borrowing, this will initially be internal borrowing from the Council's own cash balances; future external borrowing must be affordable within the context of the revenue budget. Nevertheless, while interest rates remain low there is a case for borrowing on a fixed interest rate basis if the income generated from an investment clearly exceeds the cost of financing. The exact timing of borrowing depends upon the progress and phasing of the Capital Programme and the level of revenue reserves.

7 RESERVES

General Revenue Reserve

- 7.1 The impact of the proposed revenue budget and the capital programme on the General Revenue Reserve is shown in the table below:

	£'000
Estimated Balance as at 1 April 2021 (excluding potential underspend in 20/21)	1,572
Annual Surplus	436
Projected balances as at 31 March 2022	2,008
Funding Gap	-530
Projected balances as at 31 March 2023	1,478
Funding Gap	-1,316
Projected balances as at 31 March 2024	162

- 7.2 In the short term the projected General Fund Balance remains above the recommended level of £2m. However, there is a need to address the funding gap over the medium term.
- 7.3 In reality, provided the Council does address the funding gap, then the balance on the General Revenue Reserve is unlikely to fall as shown in the table above.

Earmarked Reserves

- 7.4 **Appendix E** details the other Council's Earmarked reserves and the predicted movement on these.

8 COUNCIL TAX

Taxbase

- 8.1 The projected tax base for 2021/22 is 50,233 (Band D equivalent households). The projected tax base has increased by 0.5% compared to the tax base in 2020/21, due to housing growth in the District and officers working to identify new properties as soon as they are taxable.

Council Tax Referendum limit

- 8.2 As a shire district council authority, the Council is allowed to raise its Band D Council Tax by the greater of £5 or 2% without breaching the Council Tax Referendum limit.
- 8.3 Under the Localism Act, local communities have the power to decide if a Council Tax rise is excessive. Any district council that wishes to increase its Council Tax beyond the prescribed limit is required to hold a referendum to seek the approval of the electorate. The process of holding a referendum would have implications on cash flows and investment interest, as well as costing in excess of £150,000.

SNC Council Tax

- 8.4 It is proposed that South Norfolk Council increases its Council Tax for a Band D property from £155.00 to £160.00 for 2021/22. This equates to a 3.23% rise.
- 8.5 The Council Tax is calculated by taking the total income to be collected (£8,037,280) and dividing this by the Taxbase (50,233).

Norfolk County Council (NCC)

- 8.6 NCC have the option of increasing their Council Tax by 4.99% (1.99% general increase plus 3% Adult Social Care Precept). The actual increase is yet to be confirmed.

Police and Crime Panel

- 8.7 The Police and Crime Panel have the option of increasing their Council Tax by £15. The actual increase is yet to be confirmed.

Parishes

- 8.8 At the time of writing, parish precepts for the Financial Year 2021/22 were still being set. A full list of precepts will accompany the Council Tax report to Full Council. South Norfolk Council has no influence over the level of these precepts.
- 8.9 For 2021/22, the Government has again decided not to apply any thresholds for Council Tax increases set by Parish and Town Councils, which if exceeded would trigger a referendum.

- 8.10 Officers will use the information provided by the preceptors in producing the Council Tax resolution for the Full Council meeting on 24th February. Should the level of Council Tax proposed by Norfolk County Council or the Police and Crime Commissioner be different from that assumed in the resolution, then an amended resolution will be circulated at the Full Council meeting.

9 SPECIAL EXPENSES

- 9.1 Where a Parish/Town Council requires this Council to run specific services then the cost is recouped through the special expense's mechanism. For SNC this relates to street lighting in Costessey and Gillingham.
- 9.2 The level of Special Expenses has been increased by inflation, to reflect the level of running costs expected in individual parishes.
- 9.3 The Band D charges being proposed are as follows:

	20/21 Band D C Tax	21/22 Band D C Tax
Costessey	£0.89	£0.91
Gillingham	£8.85	£8.82

- 9.4 The Council also operates a number of streetlights in the Council car parks. The maintenance of these are paid for by SNC out of its budgets.

10 ADVICE OF THE SECTION 151 OFFICER

- 10.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 (s151) Officer in determining the Council's budget and Council Tax. Under section 25, the s151 Officer must advise firstly on the robustness of the estimates included in the budget, and secondly on the adequacy of the financial reserves.
- 10.2 **Appendix F** contains the full advice of the s151 officer on these matters.
- 10.3 In summary the advice is
- Overall, in my opinion the budget has been based on a reasonable set of assumptions with due regard to the risks and is therefore robust.
 - Assuming Cabinet and Council agree the revenue budget as set out in this report, then in my opinion the level of reserves is adequate for known and potential risks at this time.

Section 114

- 10.4 The Section 151 Officer is also required by section 114 of the Local Government Finance Act 1988 to report to Members if it appears that the expenditure the authority proposes to incur in a financial year is likely to exceed the resources available to it to meet that expenditure.
- 10.5 Section 114 notices are rare, and the advice of the Section 151 Officer is that the possibility of such a notice being required at South Norfolk Council is very remote at the present time.

11 OTHER OPTIONS

- 11.1 Cabinet can propose an alternative revenue budget, capital programme and Council Tax to Council, subject to the advice of the s151 Officer on the prudence and robustness of the budgets.

12 ISSUES AND RISKS

- 12.1 Resource Implications – These budget proposals set out the resource plans for the Council during 2021/22.
- 12.2 There are always a number of unknown variables at the time of setting the budget. Where this is the case, officers have made prudent estimates based on the most up to date information available.
- 12.3 Legal Implications – The Council has a legal duty to set a balanced budget
- 12.4 Equality Implications – The budget contains reductions in spending without impacting on the level of service that our residents presently receive – for instance as a result of the joint working with Broadland Council. There are also increases in fees and charges, with discounts available for some services to residents on low incomes. Officers believe that this budget presents no significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.
- 12.5 Environmental Impact - The budget will allow the Council to deliver its statutory duties in respect of the environment.
- 12.6 Crime and Disorder - The budget will allow the Council to deliver its statutory duties in respect of the community safety.

13 CONCLUSION

- 13.1 The proposed 2021/22 revenue budget is balanced and provides for £436,000 to be added to balances. This is subject to the final Government Finance Settlement figures not changing substantially from the provisional figures.
- 13.2 The Council Tax is proposed to increase from £155.00 to £160.00 for 2021/22 for a band D property.
- 13.3 Further increases of £5.00 each year are assumed in future years for the purposes of the Medium-Term Financial Strategy.
- 13.4 Fees and charges have been increased for service areas and commercial activities and will be reviewed again in 2022/23.
- 13.5 Over the next few years, the Council needs to find annual savings or additional income and savings of approximately £1m, in addition to the collaborative savings, primarily because the level of Government funding is expected to continue to decrease in future years.
- 13.6 The financing of the 5-year capital programme and the likely reduction in future funding are the key reasons why it is recommended to increase the 2021/22 Council Tax.

Increasing Council Tax protects the Council's income base and helps prevent future service cuts.

- 13.7 There is increased financial risk while future changes to the funding formula and business rates are still under discussion. The amount of the New Homes Bonus remains a major risk and is subject to further Government reforms and the successful delivery of enough new homes.

14 RECOMMENDATIONS

1 That Cabinet recommends to Council:

- The approval of the base budget; subject to confirmation of the finalised Local Government Finance Settlement figures which may necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget. Authority to make any such change to be delegated to the Assistant Director of Finance.
- The use of the revenue reserves as set out in **Appendix E**.
- That the Council's demand on the Collection Fund for 2021/22 for General Expenditure shall be £8,037,280 and for Special Expenditure shall be £7,192.
- That the Band D level of Council Tax be £160.00 for General Expenditure and £0.14 for Special Expenditure.

2 That Cabinet agrees:

- Changes to the proposed fees and charges as set out in section 5.

3 That Cabinet notes:

- The advice of the Section 151 Officer with regard to section 25 of the Local Government Act 2003, contained in section 10 of this report.
- The future budget pressures contained in the Medium-Term Financial Strategy.

Background Papers

Delivery Plan 2021/22

APPENDIX A: REVENUE BUDGET REQUIREMENT 2021/22

	Pay £'000	Non Pay £'000	Income £'000	Net £'000	Prior Yr £'000
Resources / MD					
Corporate Costs (inc Pension lump sum payment)	200	2,021	-43	2,178	1,815
COVID Support	0	794	-794	0	0
Finance	495	100	-20	575	615
Council Tax & NNDR	629	56	-384	301	195
Governance	459	1,528	-577	1,410	1,203
Facilities	169	412	-143	438	447
Human Resources	263	405	0	668	613
ICT & Digital	647	1,166	-80	1,733	1,556
Executive Team	434	45	0	479	477
Chief of Staff	626	273	-14	885	662
	3,922	6,800	-2,055	8,667	7,583
Place					
Economic Growth	625	1,587	-1,724	488	555
Community & Environmental Protection	414	70	-26	458	455
Food, Safety & Licensing	282	31	-171	142	109
Planning	1,473	493	-1,448	518	340
Building Control / CNC	1,515	512	-2,412	-385	-327
Business Support	448	149	-330	267	282
	4,757	2,842	-6,111	1,488	1,414
People & Communities					
Communities and Early Help	762	365	-361	766	754
Housing Standards & Independent Living	453	29	-133	349	402
Housing Benefit Payments	0	22,000	-22,000	0	0
Housing and Benefits	1,176	260	-1,264	172	351
Leisure	1,894	1,705	-2,035	1,564	379
Waste Services	3,721	3,675	-4,899	2,497	2,705
	8,006	28,034	-30,692	5,348	4,591
Net Cost of Services (Including HB)	16,685	37,676	-38,858	15,503	13,588
Net Cost of Services (Excluding HB)	16,685	15,676	-16,858	15,503	13,588
Investment Income				-1,356	-1,541
Interest Payable				300	192
Minimum Revenue Provision (to repay borrowing)				39	0
Internal Drainage Board Levy				173	160
Council Tax Deficit / (Surplus) - Offset by Covid Grant				-379	0
Transfers to / (from) Earmarked Reserves				2,042	2,451
Transfers to / (from) GF Balance				436	1,838
				16,758	16,688
Funded by					
Council Tax - District Element				8,037	7,745
Council Tax - Special Expenses				7	11
NNDR (Business Rates) - Baseline Income				3,121	3,121
NNDR (Business Rates) - Retained Growth				1,289	1,289
Lower Tier Services Grant				447	0
Rural Services Delivery Grant / Other Government Grants				280	0
New Homes Bonus				3,577	4,522
				16,758	16,688

APPENDIX B: BUDGET MOVEMENTS

The main changes to the base budget are as shown in the table below.

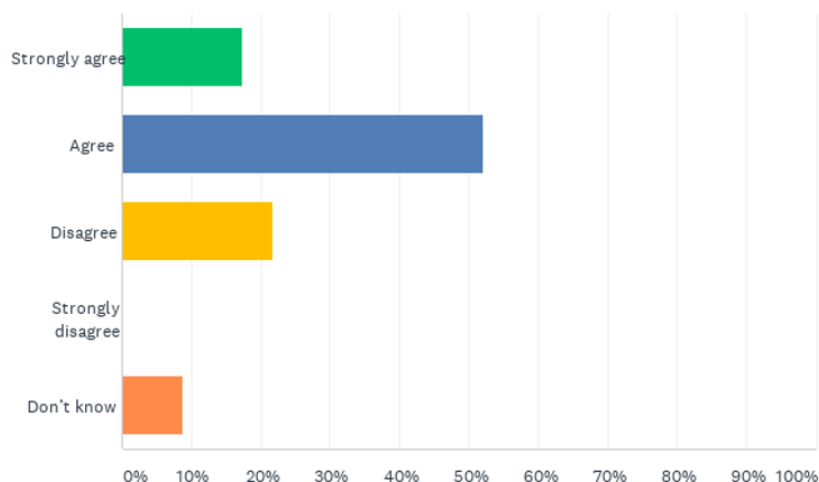
	£'000	£'000
Base Budget 2020/21		13,588
Inflationary Cost Pressures		187
Salary Related Changes		
Net Change in Salary Costs	109	
Increase in pension payment for pension deficit £1,283k to £1,446k	163	
Total Reward & Recognition Scheme	100	372
Cost Pressures		
Governance – Legal costs	117	
HR – To ensure training budget allows £500 for each officer / member	47	
ICT & Digital – Software licenses eg windows server	46	
ICT & Digital – Allowance for additional upgrades	50	
ICT & Digital – Elements of website budget from capital to revenue	55	
ICT & Digital – Additional consultancy to help align systems	25	
Communities and Early Help – Consultancy to implement changes	20	
Communities and Early Help – Increase in SLAs	5	
Leisure – Quest accreditation	10	
Leisure – Framingham Earl running costs	18	
Leisure – Diss running costs	12	
Leisure – Long Stratton running costs	23	
Leisure – Other	2	
Waste – Cost of running trade waste service	20	
Waste – Allowance for initiatives to increase recycling	30	
Waste – Other	3	
Other	34	517
Reductions in Income		
Council Tax – Reduction in support admin grant	15	
Governance – NPLAW rebate	40	
Governance – Increase in expected number of Internal Audit days	17	
Reduction in Business rates income for Growth Delivery Team	38	
Planning – Income from DM & and charges expected to be lower	135	
Housing & Benefits – Benefits Team Fees & Charge	20	
Housing & Benefits – Rapid Rehousing Government Grants ends	41	
Leisure – Income loss	1,560	
Leisure – Gov grant to cover loss of income	-205	
Waste – Reduction in commercial waste income	31	
Waste – Pest control fees	10	
Waste – New property bin charges	23	
Waste – Income from recycling banks	15	
Other	4	1,744
Savings		
Corporate costs – £10k Reduction in audit fee budget, £4k Subs	-14	
ICT & Digital - £30k Saving on move from Claranet to MLL, £6k other	-36	
Building Control / CNC	-62	
Leisure – £18k Kids camp salaries, £8k WLC Spa, £25k instructor fees	-51	
Waste – Fuel	-56	
Waste – Agency staff	-10	
Waste – Vehicle repairs	-70	
Waste – Other minor savings	-7	
Other	-67	-373

	£'000	£'000
Growth in Income		
Economic growth – Investment Properties Rental Income	-18	
Planning- Gov Grant – Expecting 3 more neighbourhood plans	-60	
Building Control / CNC – Fee income and support charge to CNC	-33	
Housing and Benefits – Recovery of homelessness costs	-29	
Housing and Benefits – Additional homelessness grant	-53	
Waste – Green waste charges	-133	
Waste – Recycling credits	-199	
Waste – Other	-7	-532
Base Budget 2021/22		15,503

APPENDIX C: BUDGET CONSULTATION

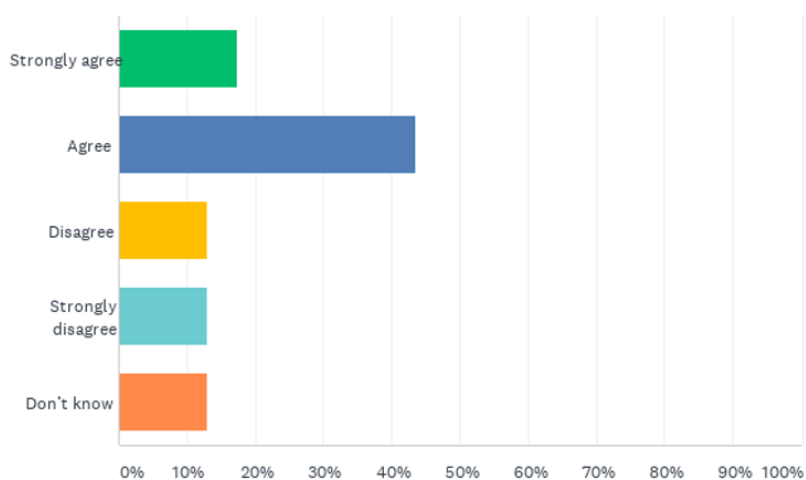
Q1: To what extent do you think that we should target resources primarily on the most vulnerable and those most in need?

Answered: 23 Skipped: 0



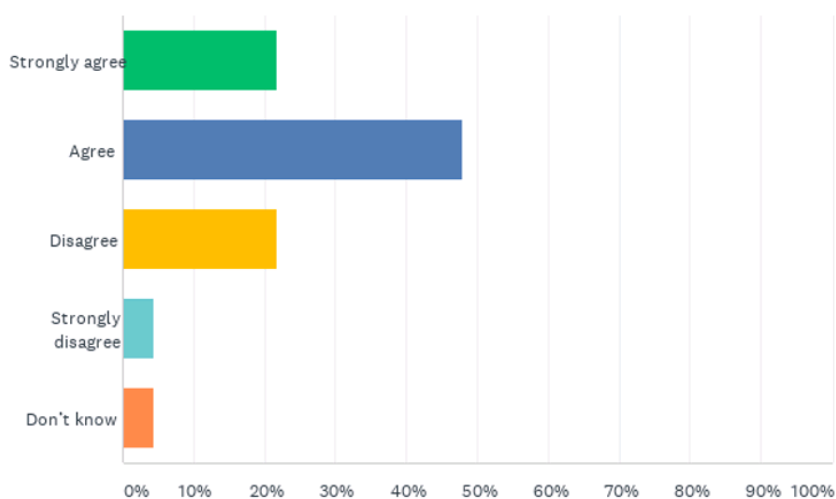
Q2: Over the last few years, we have worked with Big Sky Housing Development Company. This has not only provided housing in South Norfolk, it has also provided the Council with additional income. To what extent do you think we should continue to expand this and other similar initiatives?

Answered: 23 Skipped: 0



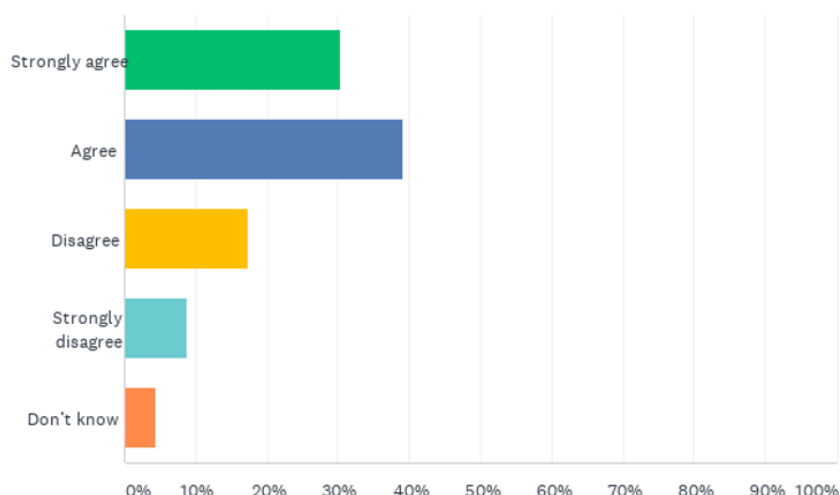
Q3: We would like to know if you think we should target a share of our resources to encourage business growth?

Answered: 23 Skipped: 0



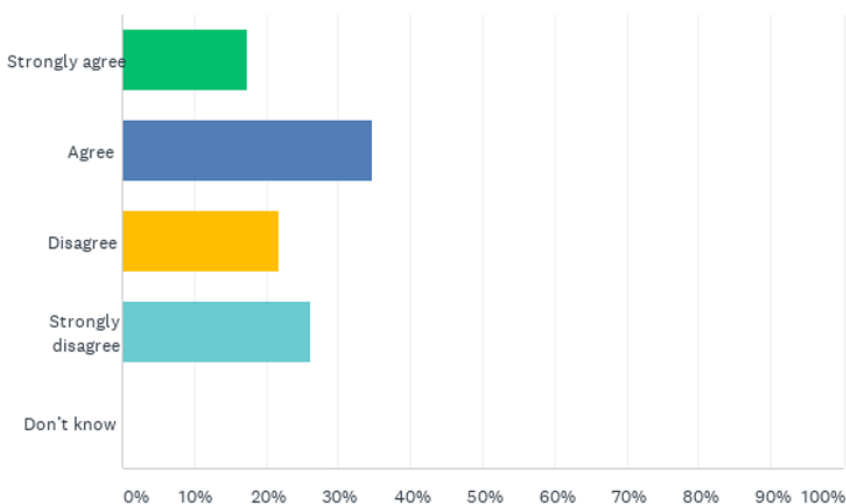
Q4: Some of the charges we make are for services that are discretionary and only used by some of our residents. These charges include our garden waste service, leisure services, car parks and our planning service. To what extent do you believe that these services should be paid for by the customers who benefit from these services rather than general council taxpayers?

Answered: 23 Skipped: 0



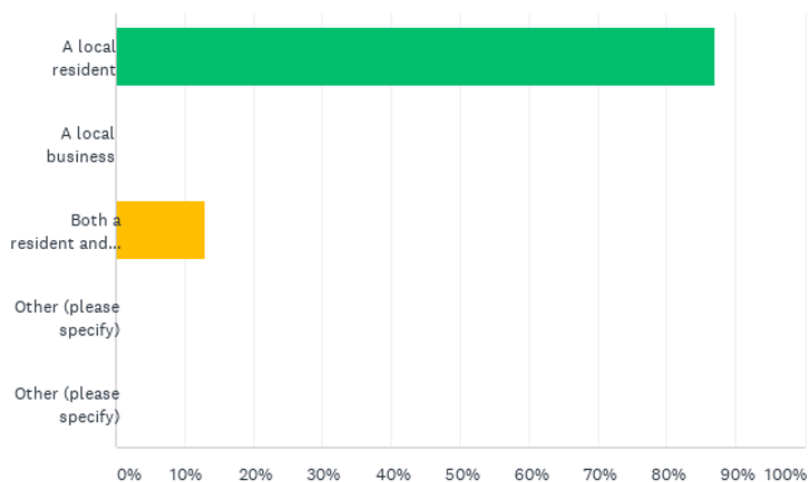
Q5: By increasing its share of council tax in 2021/22 by £5, the Council would raise £250,000 (compared to no increase) to help to protect the services that improve your quality of life, and to continue to support our response to Covid 19. To what extent do you support the Council increasing its share of council tax by £5 in 2021/22?

Answered: 23 Skipped: 0



Q6: To help us to understand who is responding to this consultation, please can you tell us if you are:

Answered: 23 Skipped: 0



APPENDIX D: MEDIUM TERM FINANCIAL PLAN (MTFP)

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Base Net Expenditure	15,504	15,504	14,637	14,792	15,088
<u>Recurring Adjustments:</u>					
Inflationary Pressures		310	293	296	302
Collaboration Savings		-598	-138		
Bounce bank of leisure income		-750			
Increase in pension contribution		171			
Base Net Expenditure for following year	15,504	14,637	14,792	15,088	15,390
<u>Non Recurring Adjustments</u>					
Investment Income - General	-56	-56	-56	-56	-56
Investment Income - Loans to companies	-1,300	-900	-600	-600	-600
Interest Payable & MRP	339	339	339	339	339
Internal Drainage Board Precept	173				
Transfers to / (from) Earmarked Reserves	2,042	1,000	500	500	500
Net Budget Requirement	16,703	15,020	14,975	15,271	15,572

Funded by					
Council Tax - District Element	8,037	8,371	8,711	9,057	9,409
Council Tax - Special Expenses	7	7	7	7	7
Council Tax - (Deficit) / Surplus	379				
NNDR (Business Rates)	4,410	4,410	4,410	4,410	4,410
New Homes Bonus	3,577	1,421	250	250	250
Lower Tier Services Grant	447				
Rural Services Delivery Grant	280	280	280	280	280
Total Funding	17,138	14,490	13,659	14,005	14,356

Funding Gap / (Annual Surplus)	-436	530	1,316	1,266	1,216
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Council Tax Calculation					
Council Taxbase (Homes)	50,233	50,735	51,243	51,755	52,273
Council Tax	160.00	165.00	170.00	175.00	180.00
	8,037	8,371	8,711	9,057	9,409

New Homes Bonus Calculation					
2018-19	1,207				
2019-20	1,171	1,171			
2020-21					
2021-22	1,199				
Future years		250	250	250	250
	3,577	1,421	250	250	250

APPENDIX E: EARMARKED RESERVES

		Estimated Balance 31/3/21	21/22 Revenue	21/22 Capital	Balance 31/3/22	22/23 Revenue	22/23 Capital	Balance 31/3/23
Infrastructure Reserve	To support the Council taking forward local infrastructure schemes and to foster economic development in the District.	2,837			2,837			2,837
Street Lighting Replacement Reserve	To fund retained streetlights in Loddon, Gillingham & Costessey	16	7		23	7		30
Localisation of Business Rates Reserve	To minimise in-year risk of volatility of income under the localisation of Business Rates.	5,169			5,169			5,169
District and Parish Elections	To even out costs of elections held every four years and unforeseeable by-elections. It is built up over the four year period and used to fund costs in election years.	115	50		165	50		215
Local Development Reserve	To finance exceptional and unplanned costs in delivering the Local Development Framework e.g. appeals, development to the Local Plan.	855			855			855
Low Cost Housing (New Homes Bonus Reserve)	Originally funded from New Homes Bonus affordable premium, this reserve sets funds aside to cover expenditure on housing projects.	326		-325	1			1
Car Park Upgrades Reserve	To manage the timing issues associated with car park upgrades eg. resurfacing in order to keep them in good condition and up to date.	162	70	-35	197	70	-35	232
Enterprise Zone Reserve	To manage the flows of income and expenditure and their variable timings in order to manage the funding to be reinvested into the Norwich Research Park Enterprise Zone. To finance the loan to enable to infrastructure to be brought forward	150			150			150
3G Pitch Renewal Reserve	To create a fund to refurbish the 3G pitch at Long Stratton, estimated for 2026.	56	15		71	15		86
Depot works	To help fund improvements to the depot or relocation to a new site.	5,000		-2,500	2,500		-1,000	1,500

		Estimated Balance 31/3/21	21/22 Revenue	21/22 Capital	Balance 31/3/22	22/23 Revenue	22/23 Capital	Balance 31/3/23
New ways of working	To fund any accommodation / IT improvements arising from the New Ways of Working Project	4,000		-622	3,378		-500	2,878
Asset Replacement Reserve	To replace Council assets.	1,263	1,900	-830	2,333	1,900	-67	4,166
Leisure Centres	To fund any refurbishments or replacements of current kit	2,000		-515	1,485		-150	1,335
Total Earmarked Reserves		21,949	2,042	-4,828	19,163	2,042	-1,752	19,453

APPENDIX F: ADVICE OF THE s151 OFFICER

The advice of the s151 officer on the robustness of the estimates included in the budget, and on the adequacy of the financial reserves is as follows.

1 Robustness of Estimates

- 1.1 The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets reflect the impact from the economy. The budget is therefore constructed on a prudent basis.
- 1.2 There are however a number of significant potential risks in the robustness of the estimates as follows:
 - There is likely to be an ongoing impact due to Covid. Monies have been set aside in the 21/22 budget however there is a risk that these could be insufficient.
 - The expected changes to the formula for council funding and changes to the business rates retention scheme is a source of major uncertainty at the present time, as the impact of any changes could have a variety of impacts. While best estimates have been made, the impact of these changes on the council's funding remain unclear.
 - There is an assumption that the Council is able to collect the level of Council Tax planned. The Council has consistently performed well in this area. As Universal Credit is rolled out, the Council is working to ensure that it can manage any resultant customer debt issues.
 - The Council depends on a number of contractors, suppliers and partners to deliver services. The use of partners is important as a delivery model for certain services, and there is a risk that some of these either contract their activities or cease to exist altogether. There could be cost implications that arise should this occur. Where it appears likely that this may happen with particular organisations, then the Council will take appropriate contingency measures to mitigate the impact.
 - There is a risk that the present growth in the economy stalls and growth is not as assumed in the Medium-Term Financial Strategy. If this were to occur, it would impact on the level of income received by the Council through its fees and charges as well as income from business rates retention. There would also be an impact on the demand on the services provided by the Council such as increasing homelessness and benefit claimants. This in turn would lead to an increase in the savings required in future years.
 - Councils, including South Norfolk, have received claims for mandatory business rates relief from NHS Trusts on the basis of charitable status. This could have a significant impact on the amount of business rates collected by South Norfolk Council due to a number of NHS trusts in the district, including the Norfolk and Norwich University hospital. The initial decision of the courts has rejected these claims however, the legal case is still ongoing.
 - Budget estimates have been prepared on a cautious basis, limiting costs and growth where possible and ensuring income expected to be received, both through fees and charges and grant streams are at a level officers are confident can be delivered. There is a risk that this will be overly sensitive.

- Although the UK has now left the EU, it is still unclear what the long term implications will be on the Council and its funding going forwards.

1.3 Overall, in my opinion the budget has been based on a reasonable set of assumptions with due regard to the risks and is therefore robust.

2 Adequacy of Reserves

2.1 As s151 officer I am also required to report on the adequacy of reserves.

2.2 Section 26 of the Local Government Act 2003 gives the Secretary of State power to fix a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State has the view that section 26 would only be used “...in which an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.”

2.3 The level of reserves is predicted to remain at the level required to finance the medium-term financial strategy. The plans in the Capital Programme include using earmarked reserves to fund an element of the capital programme over the next five years.

2.4 The projected level of the main General Fund reserves held by the Council at 31st March 2022 is £2m (excluding the 2020/21 surplus). Given the scale of the earmarked reserves held, this level of reserves provides sufficient flexibility should any of the assumptions made in this budget prove too optimistic.

2.5 Assuming Cabinet and Council agree the revenue budget as set out in this report, then in my opinion the level of reserves is adequate for known and potential risks at this time.

Treasury Management Strategy Statement 2021/22

Report Author(s):	Darren Slowther, Corporate Accountant 01603 430467 darren.slowther@broadland.gov.uk
Portfolio Holder:	Finance
Ward(s) Affected:	All
Purpose of the Report:	This report sets out the authority's approach to the management of its borrowings, investments and cash flows.

Recommendations:

Cabinet is recommended to approve the following, and recommend these to Council

1. This Treasury Management Strategy Statement 2021/22
2. The Treasury Management Policy Statement 2021/22 (**Appendix 1**)
3. The Annual Investment Strategy 2021/22 (**Appendix 2**)
4. The Treasury Management Practice (TMP1) (**Appendix 3**)
5. The Treasury Management Scheme of Delegation (**Appendix 4**)
6. The Prudential Indicators (**Appendix 5**)
7. The Minimum Revenue Provision (MRP) Statement (**Appendix 6**).

1 SUMMARY

- 1.1 This report sets out the Treasury Management Strategy Statement 2021/22 and associated policies.
- 1.2 It is a regulatory requirement that these be approved annually by Full Council.

2 DEFINITION AND PRINCIPLES

- 2.1 The Chartered Institution of Public Finance and Accountancy (CIPFA) defines treasury management as:
- “The management of the local authority’s borrowing, 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.”*
- 2.2 MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This Treasury Management Strategy Statement deals solely with financial investments. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 2.3 There are 3 key treasury management principles:
1. **Security** – To ensure monies are not placed at undue risk, by ensuring all monies are invested in appropriate counterparties or instruments commensurate with the organisation’s risk appetite.
 2. **Liquidity** - To ensure that cash flow is adequately planned, with cash being available when it is needed, and that sufficient funding is available to finance the organisation’s capital investment plans.
 3. **Yield** - To maximises investment returns (commensurate with risk) and minimise borrowing costs to minimise the costs to the organisation.
- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as “non-treasury” activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3 TREASURY MANAGEMENT STRATEGY STATEMENT

- 3.1 This Treasury Management Strategy Statement for 2020/21 encompasses a number of areas as follows:
- | | |
|------------|---|
| Section 4 | Treasury Management Policy Statement |
| Section 5 | Annual Investment Strategy |
| Section 6 | Expected Investment Returns |
| Section 7 | Treasury Management Practices |
| Section 8 | Treasury Management Scheme of Delegation & Reporting Requirements |
| Section 9 | Policy on use of External Service Providers |
| Section 10 | Prudential Indicators |
| Section 11 | Minimum Revenue Provision (MRP) Policy Statement |
| Section 12 | Borrowing Strategy |
| Section 13 | Prospects for Interest Rates |

4 TREASURY MANAGEMENT POLICY STATEMENT

- 4.1 In line with CIPFA's Treasury Management in the Public Services: Code of Practice the Council maintains a Treasury Management Policy Statement. This is the cornerstones for effective treasury management.
- 4.2 This Treasury Management Policy Statement is included in **Appendix 1** and details the policies, objectives and approach to risk management of the Council's treasury management activities, including policies where the Council has commercial investments held for financial return.
- 4.3 It is this Policy that sets out that the Council's primary objective in relation to investments is the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important, but are secondary and tertiary considerations respectively.

5 ANNUAL INVESTMENT STRATEGY

- 5.1 The Annual Investment Strategy sets out the Authority's:
- Investment Approach
 - Investment Risk Management Policy
 - Creditworthiness Policy
 - Other Investment Limits
 - Investment Risk Benchmarking
- 5.2 As at the end of December 2020 the Council had treasury investments of £33.5m, and £24m in loans to wholly owned Council companies. However, the application of resources (capital receipts, reserves etc.) to finance capital expenditure is expected to reduce the level of investments over time.
- 5.3 The Annual Investment Strategy categorises investments between:
- **Specified investments.** Investments that have a high level of credit quality and are subject to a maturity limit of one year.
 - **Non-specified investments.** Investments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.
- 5.4 The Annual Investment Strategy also sets time and monetary limits for institutions on the Council's counterparty list.

6 EXPECTED INVESTMENT RETURNS

- 6.1 The Bank Rate is unlikely to rise from 0.10% for a considerable period so it has been assumed that investment earnings on short term and money market-related instruments will be sub 0.50% for the foreseeable future.
- 6.2 On that basis the expected investment return for 2021/22 has been calculated as £56,300.
- 6.3 For comparison the investment return in 20/21 is expected to be c£62,000.

7 TREASURY MANAGEMENT PRACTICES (TMPs)

- 7.1 Treasury Management Practices set out the manner in which the Council will seek to achieve the Treasury Management policies and objectives, and prescribe how it will manage and control those activities.
- 7.2 Treasury Management Practice (TMP1) Credit and Counterparty Risk Management is included as **Appendix 3**.

8 TREASURY MANAGEMENT SCHEME OF DELEGATION, REPORTING REQUIREMENTS AND TRAINING

Scheme of Delegation

- 8.1 The Council delegates:
 - responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and
 - responsibility for the execution and administration of treasury management decisions to the Section 151 Officer.
- 8.2 The Council also nominates the Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 8.3 Further details are included in **Appendix 4**.

Reporting Requirements

- 8.4 Members are required to receive and approve, as a minimum, three treasury reports each year as follows:
 1. **Treasury Management strategy** (this report) – This is forward looking and covers the plans for the year ahead. Approval is through Cabinet and then Council
 2. **A mid-year treasury management report** – This is a progress report and will update on the mid-year treasury management position. Approval is through Cabinet.

3. **An annual treasury report** – This is a backward looking document and provides details of actual treasury management operations compared to the estimates. Approval is through Cabinet and then Council.

Training

- 8.5 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management.
- 8.6 The training needs of treasury management officers and members are periodically reviewed.

9 POLICY ON USE OF EXTERNAL SERVICE PROVIDERS

- 9.1 The Council recognises that responsibility for treasury management decisions remains with the Council at all times, and will ensure that undue reliance is not placed upon the services of our external service providers.
- 9.2 All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers. 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 their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.
- 9.3 The Council currently uses Link Asset Services, Treasury solutions as its external treasury management advisors.

10 PRUDENTIAL INDICATORS

- 10.1 The CIPFA Prudential Code sets out a number of indicators for authorities to use to ensure that their capital expenditure plans are affordable. These fall under 2 subheadings:
- Prudential Indicators for Affordability
 - Prudential Indicators for Prudence.
- 10.2 The Council's proposed Prudential indicators are included as **Appendix 5**.

11 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

- 11.1 The Council is required to pay off an element of its accumulated capital borrowing need (the CFR) through an annual revenue charge (the Minimum Revenue Provision - MRP).
- 11.2 The Council will use the Asset life method of calculating MRP, which means MRP will be based on the estimated life of the assets.
- 11.3 Further details about MRP are included in **Appendix 6**.

12 BORROWING STRATEGY

Borrowing Requirement

- 12.1 The Authority is currently debt free. However, the capital expenditure plans show a need to borrow over the medium term.

Sources of Borrowing

- PWLB – The primary source for most local authority borrowing due to its cost effective pricing structure (eg a percentage over gilt yields).
- Bank overdraft – Can be cost effective for short term cashflow needs.
- Other local authorities – Can be cost effective for shorter dated maturities out to 3 years or so.
- Financial institutions (primarily insurance companies and pension funds but also some banks). Can be used out to borrow 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 – A developing viable alternative depending on market circumstances prevailing at the time of bond issue.

Policy on Borrowing in Advance of Need

- 12.2 The authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.
- 12.3 Any decision to borrow in advance will be within the 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.
- 12.4 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.

13 PROSPECTS FOR INTEREST RATES

- 13.1 The Council has appointed Link Asset Services as its treasury advisor and **Appendix 7** provides their advice on their advice on interest rates a number of other treasury related matters.

14 ISSUES AND RISKS

- 14.1 **Resource implications** – The Treasury Management Strategy ensures funding is available to meet the Council's needs. It also delivers investment income for the Council and helps to minimise the costs of borrowing.
- 14.2 **Legal implications** – Adoption of the CIPFA Code of Practice on Treasury Management is recommended by CIPFA and therefore falls within the remit of section 15 of the Local Government Act 2003.
- 14.3 Local authorities are required by Regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] to have regard to the current editions of the CIPFA codes of best practice.
- 14.4 **Equality implications** – Treasury decisions are made impartially, within the guidelines.
- 14.5 **Risks** – Treasury management is not risk free. The primary objective of the Council's Treasury Management function is to minimise risk to the principal amounts involved, whilst still maintaining optimum liquidity.

15 RECOMMENDATIONS

- 15.1 Cabinet is recommended to approve the following and recommend these to Council:
1. This Treasury Management Strategy Statement 2021/22
 2. The Treasury Management Policy Statement 2021/22 (**Appendix 1**)
 3. The Annual Investment Strategy 2021/22 (**Appendix 2**)
 4. The Treasury Management Practice (TMP1) (**Appendix 3**)
 5. The Treasury Management Scheme of Delegation (**Appendix 4**)
 6. The Prudential Indicators (**Appendix 5**)
 7. The Minimum Revenue Provision (MRP) Statement (**Appendix 6**).

Background Papers

CIPFA Treasury Management Code of Practice 2018

CIPFA Prudential Code of Practice 2018

Appendix 1: Treasury Management Policy Statement

The Council adopts the CIPFA definition of treasury management namely:

“The management of the local authority’s borrowing, 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.”

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

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 value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council’s primary objective in relation to investments is 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 and tertiary considerations respectively.

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.

Where the Council has made commercial investments in property, in wholly owned companies or in joint ventures, the performance of these investments will be monitored and reported in line with the overall Treasury Management policy.

The 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.

Appendix 2: Annual Investment Strategy

1. The Annual Investment Strategy sets out the Authority's:
 - Investment Approach
 - Investment Risk Management Policy
 - Creditworthiness Policy
 - Other Investment Limits
 - Investment Risk Benchmarking

Investment Approach

2. Cash investments will be made with reference to the core balance and cash flow requirements, and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
3. Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow and to fund the Council's capital programme, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
4. For its cash flow generated balances, the Council will seek to utilise instant access and notice accounts, money market funds and short-dated deposits, (overnight to 364 days), in order to benefit from the compounding of interest.
5. If there is a risk that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if the risk is that Bank Rate is likely to fall significantly within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment Risk Management Policy

6. The Council's Investment Risk Management Policy has regard to the following:
 - MHCLG's Guidance on Local Government Investments ("the Guidance")
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the Code")
 - CIPFA Treasury Management Guidance Notes.
7. As set out in the Treasury Management Policy Statement, the Council's investment priorities will be security first, portfolio liquidity second and then yield (return).
8. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
 - Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of

concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Other information: Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration 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.
 - 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.
 - This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 12.
 - **Transaction limits** are set for each type of investment.
 - This authority will set a limit for the amount of its investments which are invested for longer than 365 days.
 - Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.
 - This authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
 - All investments will be denominated in sterling.
9. This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

10. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

Creditworthiness Policy

11. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
 - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
12. The Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
13. Credit rating information is supplied by our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.
14. The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA, matching the UK's rating.and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

	Fitch	Moody's	Standard & Poor's
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested. The Council's provider of banking services is Barclays Bank PLC.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies. The Council will use all societies which meet the ratings for banks outlined above
- Money Market Funds (MMFs) CNAV – AAA
- Money Market Funds (MMFs) LVNAV – AAA
- Money Market Funds (MMFs) VNAV – AAA
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc subject to due diligence
- Housing associations subject to due diligence
- The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment, on the specific advice of the Authority's treasury management adviser and on the provision of appropriate security, e.g. through a charge on assets.

15. *Use of additional information other than credit ratings.* Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments.

16. The criteria for specified and non-specified investments are detailed in TMP1. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 higher quality	AA-	£12.5m	2 years
Banks 1 medium quality	A	£10m	18 months
Banks 1 lower quality	A-	£7.5m	1 year
Banks 2 – part nationalised	N/A	£12.5m	2 years
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	£12.5m	6 months
Other institutions limit	-	£5m	1 year
DMADF	UK sovereign rating	unlimited	2 years
Local authorities	N/A	£7.5m	2 years
Housing associations higher quality	AA	£10m	2 years
Housing associations medium quality	A	£7.5m	1 year
Housing associations lower quality	A-	£5m	1 year
	Fund rating	Money Limit	Time Limit
Money Market Funds CNAV	AAA	£10m	liquid
Money Market Funds LVNAV	AAA	£10m	liquid
Money Market Funds VNAV	AAA	£10m	liquid

Other Investment Limits

17. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- a) **Country limit.**
The Council has determined that it will only use approved counterparties from countries with a **minimum sovereign credit rating of AA** from Fitch (or equivalent).
- b) **Other limits.**
In addition:
- no more than £5 million of total cash will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

Investment Risk Benchmarking

18. In order to ensure security, the Council will use appropriate benchmarks. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report. The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:
- 0.1% (1 in 1000) historic risk of default when compared to the whole portfolio.
 - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.
19. Liquidity – in respect of this area the Council seeks to maintain:
- Bank overdraft - £0m
 - Liquid short-term deposits of at least £4m available with a week's notice.
20. Yield - local measures of yield benchmarks are:
- Investments – internal returns above the 7-day LIBID rate. LINK, the Council's treasury advisors have stated that they will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR (the LIBID rate is derived from LIBOR). This is likely to be an iteration of the overnight SONIA rate.

Appendix 3: Treasury Management Practice (TMP1) Credit and Counterparty Risk Management

1. Treasury Management Practices set out the manner in which the Council will seek to achieve the Treasury Management policies and objectives, and prescribe how it will manage and control those activities.
2. This TMP covers Credit and Counterparty Risk Management.

Guidance

3. MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.
4. 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

5. 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.
6. The investment policy proposed for the Council is:

Specified Investments

7. 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:

- The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, housing association, parish council or community council.
- 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.
- 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.

8. 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 para. 15.

Non-specified investments

9. 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.
10. Non-specified investments would include any sterling investments with:

	Non-Specified Investment Category	Limit (£)
a.	Gilt edged securities 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.	The Council's own banker 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 bank or building society 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 non-rated subsidiary 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

	Non-Specified Investment Category	Limit (£)
e.	Share capital 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.	Loan capital in a body corporate. See note 1 below.	£30 million
g.	Bond funds. See note 1 below.	
h.	Property funds – 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. 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](#)

11. 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).
12. 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.
13. 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.

Approved Countries for Investments

14. This list is based on those countries which have sovereign ratings of AA- or higher, (we show 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 credit worthiness service.

Based on lowest available rating

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.

Appendix 4: Treasury Management Scheme of Delegation

The following Treasury Management Scheme of Delegation shall apply.

Full Council

The following matters are the responsibility of 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.

Cabinet

The following matters are delegated to 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 making recommendations to the responsible body.
- Approving the selection of external service providers and agreeing terms of appointment.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

sS151 (responsible) officer

The following matters are delegated to the Council's s151 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, 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 authority.
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments 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 investments and long-term liabilities.
- Provision to members of a schedule of all 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 an 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 investments; 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 qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix 5: Prudential Indicators

Prudential Indicator for Affordability 1 - Capital expenditure

1. 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.

	Estimated Outturn 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Total Capital Expenditure	29,907	25,857	12,114	8,923	2,464	2,384

Prudential Indicator for Affordability 2 – Financing Cost to Net Revenue Stream

2. This prudential indicator calculates the ratio of financing costs to net revenue stream. Financing costs are broadly defined as the net of the return on investments and other financial assets, against the payments made on debt and similar financial liabilities.
3. This is a measure of the authority's ability to meet any debt payments from its revenue. An increasing positive figure indicates an increasing inability to meet such payments.

	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Financing Cost	-1,056,300	-455,300	-154,300	-153,300	-152,400
Net Revenue Stream	16,479,000	14,844,000	14,792,000	15,081,000	15,376,000
Ratio of Financing Costs to Net Revenue Stream	-6.41%	-3.07%	-1.04%	-1.02%	-0.99%

Prudential Indicator for Affordability 3 – Capital Financing Requirement

4. The Capital Financing Requirement (CFR) is 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 indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5. The table below summarises capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	Estimated Outturn 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Total Capital Expenditure	29,907	25,857	12,114	8,923	2,464	2,384
Capital receipts	-1,929	-3,473	-9,425	-5,420	-900	-870
Capital grants	-9,469	-1,708	-912	-912	-912	-912
S106 Funds	-182	-25	-25	-114	-50	0
Revenue	-2,227	-4,856	-1,752	-2,477	-602	-602
Net financing need for the year (borrowing required)	16,100	15,525	0	0	0	0

Prudential Indicator for Affordability 4 – External Debt

6. The **authorised limit** for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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 afforded 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.
7. 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 lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Total CFR	19,000	31,087	17,047	14,141	13,954	13,761
External Borrowing	0	19,000	28,000	16,000	16,000	16,000
Total Debt	0	19,000	28,000	16,000	16,000	16,000
Authorised Limit	30,000	40,000	30,000	30,000	30,000	30,000
Operational Boundary	25,000	35,000	25,000	25,000	25,000	25,000

8. Full Council should be advised at the earliest opportunity if the Operational Boundary is exceeded. The Authorised Limit must not be exceeded without formal agreement in advance by Council.

Prudential Indicator for Prudence 1 – Gross Debt and the Capital Financing Requirement

9. Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits.
10. 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 or speculative purposes.
11. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting that the Council will be under borrowing by £9.6 million in 2021/22 as it will be using its cash instead of incurring external debt (internal borrowing). The cost of internal borrowing is the interest foregone from cash investments, but this is less than the interest rates the Council would pay on external borrowing. Both internal and external borrowing have to be repaid over time and both therefore require a Minimum Revenue Provision to be made in line with the MRP Policy.

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
External Debt at 1 April	0	0	19,000	28,000	16,000	16,000
Expected change in External Debt	0	19,000	9,000	-12,000	0	0
Actual gross external debt at 31 March	0	19,000	28,000	16,000	16,000	16,000
The Capital Financing Requirement	19,100	31,087	17,047	14,141	13,954	13,761
(Under)/over borrowing	-3,000	-9,602	-4,704	-6,314	-5,806	-5,282

12. The S151 Officer 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 budget report.

Prudential Indicator for Prudence 2- Maturity structure of borrowing

13. 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.

	Lower Limit (Cumulative)	Upper Limit (Cumulative)
Under 12 months	0%	50%
12 months to 2 years	0%	80%
2 years to 5 years	0%	90%
5 years to 10 years	0%	95%
10 years and above	0%	100%

Prudential Indicator for Prudence 3 – Principal sums invested for longer than 365 days

14. 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.

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
Principal sums invested for longer than 365 days	5,000	5,000	5,000	5,000	5,000

15. If the authority decides to take up long-term debt to finance a major capital project in the future, it will discuss the matter with its treasury advisors to determine the best option in terms of repayment pattern, term and whether fixed or variable rates would be more efficient. As debt is likely to consist of one loan, it is not possible to set meaningful limits on the authority's debt maturity profile in advance.

Appendix 6: 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 provides 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 number of wholly owned companies (Big Sky Developments Ltd, Big Sky Property Management Ltd) and has provided loans from the Authority to the companies.

With the exception of overdrafts for working capital purposes, the cash advances will be used by the companies 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 companies will make repayments over the life of the capital programme, we do not deem it 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 2021 the total VRP overpayments were £0.

Appendix 7: Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and this appendix provides their advice on a number of treasury related matters.

Interest Rates

The following table gives Link's central view on interest rates.

Link provided the following forecasts on 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View													
9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.
- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.
- We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

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 to 16th December, 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. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very 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. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 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.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. 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, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and Borrowing Rates

Investment returns are likely to remain low during 2020/21 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.

Creditworthiness

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

CDS prices

Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its LINK provided Passport portal.

Scrutiny Committee – Work Programme

In setting future Scrutiny **TOPICS**, members are asked to consider the following: **T**imely – **O**bjective – **P**erformance – **I**nterest – **C**orporate Priority

- T** Is this the right **time** to review this issue and is there sufficient **officer time** and resource to conduct the review? What is the **timescale**?
- O** What is the reason for review; do officers have a clear **objective**?
- P** Can **performance** in this area be improved by input from Scrutiny?
- I** Is there sufficient **interest** (particularly from the public)? The concerns of local people should influence the issues chosen for scrutiny.
- C** Will the review assist the Council to achieve its **Corporate Priorities**?

Date of meeting	Topic	Organisation / Officer / Responsible member	Objectives
25 Feb 2021	<i>To be held in the event of a call-in only</i>		
31 March 2021	Development Management - Flooding	Development Management Manager & Portfolio Holder for Stronger Economy	For Scrutiny Committee to review how the Council's development management processes contribute to the prevention of future flooding in respect of new development across the District.
May 2021	Early Help Approach	Assistant Director – Individuals & Families; and Portfolio Holder for Better Lives	The Committee to consider and review the Council's Early help Approach and the future model and make any recommendations to Cabinet. Partners in the Hub to also be invited to attend the meeting.
Sept 2021	Environment Strategy	Environment Manager and Portfolio Holder for Clean & Safe Environment	Scrutiny Committee to review the effectiveness of the Strategy and assess whether outcomes have been achieved. To make recommendations as appropriate.
TBC	Market Towns Strategy	Assistant Director – Economic Growth; and Portfolio Holder for Stronger Economy	Members to review the new Market Towns Strategy and receive an update on the success of the <i>Confidence Campaign</i> and how the Council has assisted traders and businesses since start of the COVID-19 outbreak

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
5 Aug 2020	REVIEW OF MARKET TOWNS CONFIDENCE CAMPAIGN	Assistant Director of Economic Growth	<ol style="list-style-type: none"> To note the contents of the report; and To recommend that: <ol style="list-style-type: none"> Officers consider the suggestions put forward by the Committee and provide feedback at a future meeting in six months' time. Cabinet considers future free parking in the Council's car parks during the COVID-19 pandemic, in order to encourage continued local support of the market towns. 	<p>Officers have reviewed this and have reported back to the Committee via email</p> <p>Recommendation withdrawn at mtg on 9 Sept 2020. Officers to keep watching brief, and will report as above</p>	Members were able to review the work undertaken in order to support the reopening of businesses in the Market Towns. This will enable the Council to effectively respond to a future second wave of the virus, which could lead to further lockdowns. In addition, the review allows lessons to be learned and ways of working adapted accordingly.
9 Sept 2020	REVIEW OF COVID 19 RESPONSE	Assistant Director Governance and Business Support, Chief of Staff, Assistant Director Finance , Assistant Director Individuals and Families	<p>RESOLVED</p> <p>To</p> <ol style="list-style-type: none"> Note the response of the Council to support the District's communities and businesses during the COVID-19 pandemic; and Endorse the key learning identified in the report 	<p>No further action necessary</p> <p>No further action necessary</p>	<p>The Committee was able to assess key areas of the Council's response to the Covid-19 pandemic:</p> <ol style="list-style-type: none"> the governance arrangements put in place to support the Council's response; the support provided to residents and businesses; and the financial implications of the coronavirus. <p>The report provided the key learning that officers had identified and members were able to endorse these without the need to make further recommendations.</p>

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
21 Dec 2020	MEMBER LED FUNDING	the Assistant Director of Individuals and Families, and the Communities Senior Manager	<p>It was resolved that</p> <ol style="list-style-type: none"> 1. Members funding has been spent in accordance with the ground rules. 2. The scheme has been shown to have a positive impact on the local community and is reducing the demand on Council services as outlined by the examples given. 	No further action necessary	<p>The Committee was able to assess whether the decisions taken by members regarding the allocation of their funding was in line with the ground rules. This enables the Council to ensure good governance of the Scheme.</p> <p>Members were also able to evaluate the impact on the scheme on both the local community and demand on Council services. The Committee was pleased to note the positive effect that the funding had realised via the projects that Councillors had assisted.</p>
27 Jan 2021	BRIEFING REPORT ON RECENT FLOODING IN SOUTH NORFOLK	Assistant Director – Regulatory & Assistant Director of Individuals and Families	<p>RESOLVED</p> <ol style="list-style-type: none"> 1. To note the contents of the report; 2. To request that Officers prepare a report focussing on the planning considerations regarding flood prevention in respect of the consideration of planning applications, to be presented to the committee on 31 March 2021; and 3. To recommend that: <ol style="list-style-type: none"> a. Officers prepare an article for the Link Magazine providing the public with information on flooding support and Floodline. 	<p>No action necessary</p> <p>Report to be prepared by the Development Management Manager</p> <p>No updates re. recommendations to report</p>	Councillors were able to fully consider the organisations and bodies responsible for flood prevention, and review the Council's response to the recent flooding in the District.

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
			<p>b. Officers consider the appointment of Environmental Protection Officer(s) and/or Emergency Incident Officer(s) to provide a response on-site in the event of an emergency situation (including flooding) or an out of hours community protection complaint (eg, noise). Consideration also to be given whether these officers could assist with ensuring that work to ditches etc is completed by landowners with riparian rights.</p> <p>c. The Council provides training workshops to Town and Parish Councils to support them to devise or update their local emergency response plans and resilience response groups.</p> <p>d. Officers review the Council's policy regarding the provision of sandbags across the District and research alternative methods of flood defence.</p>		

CABINET CORE AGENDA 2021

Date	Key	Title of Report	Responsible Officer	Portfolio Holder	Exempt?
8 Feb	N	Revenue Budget 21/22, Capital Budget 21/22, Treasury Management Strategy 21/22	Rodney Fincham	Josh Worley	N
	N	Covid -19 Budget and Response	Leigh Booth	John Fuller	N
	Y	Council Tax Support Scheme 2021/2022	Richard Dunsire/ Lindsay Sayer	Josh Worley	N
	N	Delivery Plan 2021/22	Sinead Carey	John Fuller	N
	Y	Greater Norwich 5-Year Infrastructure Investment Plan and Annual Growth Programme 2021/22	Paul Harris	Lisa Neal	N
	N	Update to the South Norfolk Local Development	Paul Harris	Lisa Neal	N
	N	NRP Zone 4 Building Lease Proposal	Tig Armstrong	Lisa Neal	Y
	Y	Contract for the IT Infrastructure to Support the One Network	Debbie Lorimer	Josh Worley	Y
	N	Mutual Aid Agreement	Emma Hodds	John Fuller	N
	Y	Poringland Neighbourhood Plan	Richard Squires	Lisa Neal	N
Council Meeting 24 February 2020					
15 Mar	N	Q3 Strategic Performance/Finance and Risks	Mel Wiles/ Sinead Carey	Josh Worley	N
	K	Review of Bawburgh Temporary Stopping Place for Gypsies and Travellers	Kevin Philcox/ Leigh Booth	Yvonne Bendle	N
	N	Procurement Options	Rodney Fincham	Josh Worley	N
	Y	Norfolk Strategic Fund	Tig Armstrong	John Fuller	Y
	N	Affordable Homes Ownership - Qualification	?Kay Oglieve- Chan	Yvonne Bendle	N
	N	Programme/Project Management Approach	Sinead Carey/ David French	John Fuller	N
	N	Council Tax Support – COVID Hardship Fund	Richard Dunsire/ Lindsay Sayer	Josh Worley	N
	K	Review of SNC NDR Discretionary Relief Policy	Simon Quilter	Josh Worley	N
	K	Long Stratton Neighbourhood Plan	Richard Squires	Lisa Neal	N
19 Apr	N	Norfolk Strategic Planning Framework Update 2021	Paul Harris	Lisa Neal	N
Council AGM 17 May 2020					

Key decisions are those which result in income, expenditure or savings with a gross full year effect of £100,000 or 10% of the Council's net portfolio budget whichever is the greater which has not been included in the relevant portfolio budget, or are significant (e.g. in environmental, physical, social or economic) in terms of its effect on the communities living or working in an area comprising two or more electoral wards in the area of the local authority.