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Date of meeting	**Wednesday, 16th January, 2019**
Time	**2.00 pm**
Venue	**Astley Room - Castle House**
Contact	Geoff Durham 01782 742222

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Cabinet

SUPPLEMENTARY AGENDA

PART 1– OPEN AGENDA

Members: Councillors S Tagg (Chair), M. Holland, T. Johnson, P. Northcott, S. Sweeney and J Waring

'Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting'

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REVENUE AND CAPITAL BUDGETS 2019/20

Submitted by: **Executive Director (Resources and Support Services)**

Portfolio: **Finance and Efficiency**

Wards(s) affected: **All**

Purpose of the Report

To review progress on the completion of the revenue and capital budgets for 2019/20 following agreement of the 5 year Medium Term Financial Strategy.

Recommendations

(a) That the progress on the completion of the Revenue and Capital Budgets for 2019/20 be received and noted.

(b) That the strategy for addressing the provisional forecast outturn for the 2018/19 revenue budget be noted.

(c) That the Council Tax levy to be proposed for 2019/20 be noted.

(d) That the level of reserves provisionally required to be maintained in 2019/20 be noted.

(e) That the Finance, Assets and Partnerships Scrutiny Committee be asked to consider what comments it wishes to make on the draft Budget and Council Tax proposals before the final proposals are considered at Cabinet on 6 February 2019.

(f) That the Flexible Use of Capital Receipts Strategy be recommended for approval by Council on 20th February 2019.

Reasons

To inform the Cabinet in recommending a robust and affordable budget for 2019/20 to the Council meeting on 20 February 2019.

1. Background

1.1 The Council is committed to the delivery of high quality services. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives, as set out in the Council Plan 2018-22.

1.2 The work of the Council in 2019/20 is focused, via the Council Plan 2018-22 approved by Cabinet on 19 September 2018, on its vision of “a growing borough that is an attractive and welcoming place for all.”

1.3 The Council has a Medium Term Financial Strategy (MTFS) to look at its financial position over the next 5 years. This is aligned to the Council Plan 2018-2022 and will be the main vehicle in ensuring efficiency in service delivery and targeting resources to its priority areas.

1.4 There has been good progress in the current year, with high standards of service delivery being achieved overall. Key Outcomes so far in 2018/19 are set out in Appendix 4.

1.5 It should be noted that the MTFS and the draft 2019/20 Budget have been compiled against a continuing national picture of reduced funding from central government for local authorities.

1.6 The draft 2019/20 budget is based upon the assumptions made in the MTFS which was approved by the Cabinet at its meeting on 17 October 2018 and scrutinised by the Finance, Assets and Partnerships Scrutiny Committee at its meeting on 20 September 2018.

1.7 The draft and provisional proposals included in this report will inform the Revenue and Capital Budgets and Council Tax 2019/20 reports to Cabinet on 6th February 2019 and to Council on 20th February 2019.

2. Budget 2018/19 – Provisional Outturn Forecast

Revenue

2.1 Monthly reports monitoring actual spending against budget have shown adverse variances during the first eight months of the year, the latest reported variance being £0.136m as at the end of November. It is forecast that this adverse variance will increase to £0.201m at the close of the financial year.

2.2 The main reasons for this overall adverse variance were:

- Waste Services is operating at a net overspend, it is forecast that this will amount to £0.489m at the close of the financial year due predominantly to a shortfall in recycled material income;
- Jubilee 2 is operating at a net overspend, it is forecast that this will amount to £0.128m at the close of the financial year due to high levels of sickness within the service (which are now being addressed) and a shortfall of income in relation to the climbing wall;
- Income from car parking is below the amount budgeted for, it is forecast that this will amount to £0.106m at the close of the financial year; and,
- A shortfall in court summons income as a result of improved Council Tax collection rates, it is forecast that this will amount to £0.108m at the close of the financial year.

These adverse variances are partially offset by favourable variances including:

- Employee costs in respect of a number of vacant posts and flexible retirements that have taken place across the Council, it is forecast that these will amount to £0.322m at the close of the financial year;
- Planning Application Fee income exceeding the budget due to the Council receiving a number of large development planning applications. It is forecast that this variance will amount to £0.311m at the close of the financial year.

2.3 As in previous years, a strategy to address the forecast overspend is being implemented. This includes the flexible use of capital receipts totalling up to £500,000 in 2018/19. This will also provide a more secure underpinning for the longer term financial stability of the Council through the establishment of an enhanced level of reserves. Overall reserves will be increased to £1.548m (see Section 6 below).

2.4 The Interim Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £500,000 of capital receipts in each of the financial years 2018/19 and 2019/20.

2.5 Officers have reviewed the 'Statutory Guidance on the Flexible Use of Capital Receipts', and have identified expenditure that meets the eligibility criteria laid out in the guidance document, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. The Council's Flexible Use of Capital Receipts Strategy is included as Appendix 5 to this report. Cabinet are asked to endorse the strategy and recommend to Council that it be approved, as required by the statutory guidance.

2.6 With the exception of savings agreed from the Waste and Recycling review as part of the budget setting process for the 2016/17 and 2017/18 budgets, the majority of savings incorporated in the 2018/19 budget are on target to be achieved. This means that altogether over the ten years from 2009/10 to 2018/19 £22.456m of "gaps" will have been met via a combination of savings, efficiencies and additional income.

Capital

2.7 A Capital Programme totalling £2.549 million was approved for 2018/19. Of this, £1.502m related to the total cost of new schemes for 2018/19, £1.000m related to schemes funded by external sources (Disabled Facilities Grants) and £0.047m was brought forward from the 2017/18 Capital Programme. In addition £0.333 million slippage was incurred in 2017/18, resulting in a total Capital Programme of £2.882 million for 2018/19.

2.8 It is forecast that the Capital Programme outturn for 2018/19 will largely be in line with the expenditure detailed in paragraph 2.7, i.e. there will not be any significant variance to report.

3. Draft Budget 2019/20

3.1 The MTFS was approved by the Cabinet on 17 October 2018. This illustrated that the Council would have a shortfall of £1.891m in 2019/20 which could be addressed by a combination of actions, such as efficiency measures, reductions in expenditure, increases in income and a council tax increase.

3.2 The Provisional Local Government Finance Settlement for 2019/20 was announced on 13th December 2018. The assumptions made in the Medium Term Financial Strategy regarding the Council's baseline funding levels are in line with those announced.

3.3 The New Homes Bonus provisional allocation for 2019/20 the Council was also announced. The additional funding for 2019/20 was previously calculated to be £131,000 and assumed an increase in the deadweight applied to the New Homes Bonus to 0.44%. The provisional allocation announcement has confirmed that this increase in the deadweight will not be applied to 2019/20.

3.4 In addition to this the Affordable Housing Premium element of the New Homes Bonus was also announced. This will result in a further £61,000 of New Homes Bonus allocation being received in 2019/20 than had previously been assumed.

3.5 Notification has been received of the grants that are received in respect of Council Tax Benefit administration, Housing Benefits administration and Housing Benefits New Burdens (including Universal Credit), these have reduced by £61,000 for 2019/20.

3.6 An additional amount of surplus arising from the Business Rates Retention levy account will be redistributed as a one off payment to Local Authorities. This is in addition to the Council's baseline funding levels and amounts to £56,000 to be paid during 2019/20. The proposed use of this funding is set out in paragraph 3.13.

3.7 In July 2018, Government invited Local Authorities to bid for the opportunity to undertake a pilot of 75% Business Rates Retention for 2019/20 only. As part of the Staffordshire and Stoke-on-Trent Business Rates pool, the Council has been successful in its application. The pilot scheme will enable 75% of future growth in Business Rates to be retained within Staffordshire. An estimated £200,000 of additional resources will be generated as a result of this for the Council in 2019/20.

3.8 There have been a number of changes to the MTFS since its approval in October, resulting in an increase of £0.329m in the funding "gap" to £2.220m for 2019/20:

- The Council and the proposed contractor for the operation of the Council's markets have mutually agreed not to proceed with the proposals for the management of the Market as set out in the 2018/19 budget, resulting in a cost of £27,000 needing to be reinstated into the budget;

- As the Council has improved collection rates of income from Council Tax in recent years, income from the raising of summons relating to Council Tax debtors has increasingly diverged from the budget. The income shortfall is forecast to be £108,000 in 2019/20, of which £55,000 has already been provided for via the existing pressures in the Medium Term Financial Strategy. £53,000 remains as an additional pressure;

- Income relating to the recycling of plastics and glass has fallen due to fluctuations in the prices within the recycling market. This has resulted in a significant shortfall in income. £187,500 is required to reflect the reduced income from this source; and,

- As noted at paragraph 3.5, grants that are received in respect of Council Tax Benefit administration, Housing Benefits administration and Housing Benefits New Burdens have reduced by £61,000.

The table below shows the factors which give rise to the £2.220m "gap" for 2019/20:-

Additional Income (Included in the MTFS)	**£'000**
Fees and Charges	94
Total Additional Income (A)	**94**
Additional Expenditure and Loss of Income (Included in the MTFS)	
Reduction in Government Funding	526
Government funding re Business Rates Baseline	(80)
New Homes Bonus - Revised Scheme	519
Provision for Pay Awards (including National Insurance)	326
Incremental Pay Rises for Staff	80
Superannuation increase in employers and lump sum contributions	335
Price Increases e.g. energy, fuel, rates, insurances, supplies & services	89
Adjustments re One-Off items in 2018/19	66
Reduction in income received from summons costs	55
Reduction in waste income and recycling credits awarded	69
Total Additional Expenditure and Loss of Income (B)	**1,985**
New Pressures (Identified After MTFS Reported)	
Reductions in waste income and recycling credits (following a re-evaluation)	188
Reduction in income received from summons costs	53
Market continuing to be operated by the Council	27
Reduction in Council Tax Benefit and Housing Benefit Administration Grants	61
Total New Pressures (C)	**329**
Net Increase In Base Budget (B+C-A)	**2,220**

3.9 Members and your officers have been identifying and considering ways of eliminating the 2019/20 gap. As a result, a number of savings and funding strategies have been identified, via a vigorous Efficiency Board process, and agreed with managers as being both feasible and sustainable. The proposed savings, totalling £2.468m are outlined in the table below and set out in detail in Appendix 1:

Category	Amount £'000	Comments
Income	500	Additional sources of income generation and an increased demand for services that the Council charges for.
Staffing Related Efficiencies	410	No redundancies are anticipated to arise from these proposals. The proposals also allow for a review of organisational capacity – £125,000 is currently available for this purpose.
Good Housekeeping Efficiencies, General Other Savings, Changes in Base Budgets	442	Various savings arising from more efficient use of budgets.
Alternative Sources of Finance/ Other Savings	1,116	New Homes Bonus funding, savings from negotiated contribution rates and advanced payments of superannuation contributions, effect of forecast Council Tax Base increase, savings from Parish Council concurrent functions contributions. An assumed 2.99% (per band D equivalent) increase in Council Tax. Flexible use of capital receipts for the delivery of restructuring, digital and Council transformation efficiencies.
Total	**2,468**	

3.10 As in previous years, the first draft of the savings plan set out at Appendix 1 was made available to the Finance, Assets and Partnerships Scrutiny Committee for scrutiny at its meeting on 17 December 2018. The Committee will scrutinise this Cabinet report at its meeting on 24 January 2019.

3.11 The Finance, Assets and Partnerships Scrutiny Committee at its meeting on 17 December 2018 requested an update on the Local Government Finance Settlement, the position of New Homes Bonus and the likely success of the application to become a 75% Business Rates Pilot. The provisional allocations regarding the Local Government Finance Settlement and the New Homes Bonus are shown in paragraphs 3.2, 3.3 and 3.4. The success application to become a 75% Business Rates Pilot is shown in paragraph 3.7.

3.12 The Finance, Assets and Partnerships Scrutiny Committee at its meeting on 17 December 2018 also requested details of the proposed Capital Programme for 2019/20. This is shown as Appendix 3 to this report.

3.13 The savings and funding strategies identified in the table above and in Appendix 1 will result in £248,000 over and above the budget 'gap' being made available for investment in the Council's priorities as per the Council Plan 2018-2022. In addition to this it is also proposed that the additional funding received from the distribution of the surplus on the national Business Rates Retention levy account (£56,000) be used for these purposes. This will result in a 'Borough Growth' fund of £304,000 being established.

3.14 The 'Borough Growth' fund will provisionally be used to enable investment in the following corporate priorities:

- **A Town Centre for All (£104,000)**
    - Developing and implementing a Parking Strategy aimed at supporting the local economy
    - Revitalising the market, developing with traders a clear programme for improvement
    - Facilitating bids for grants, including the Future High Street Fund

- **Council Transformation (£100,000)**
    - Digital Delivery Programme
    - Establishing capacity to develop commercial working practices to reduce costs and generate improved revenue streams

- **Building for the Future (£100,000)**
    - Enable Residential & Commercial development to generate improved revenue streams

3.15 In accordance with the 'Statutory Guidance on the Flexible Use of Capital Receipts', the 'Borough Growth' fund is required to be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The Council's Section 151 Officer will determine whether any proposed use of the fund complies with this guidance on a case by case basis.

3.16 The additional resources generated from the successful application to become a 75% Business Rates Retention pilot (£200,000), will be retained to meet financing costs associated with the vehicle fleet renewals and replacement programme, including the acquisition of vehicles required for the new recycling service included in the capital programme. A full appraisal of financing options will be undertaken for these assets.

3.17 The provisional Local Government Finance Settlement announced that for District Councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's Band D amount of Council Tax for 2018/19 can be made without triggering a referendum.

3.18 The savings and funding strategy assumes a 2.99% increase, producing £211,000 of additional income. A 2.99% increase in Council Tax would equate to the following monetary increases for residents:

Property Band	Annual Increase £ p	Weekly Increase £ p
A	3.80	0.07
B	4.43	0.09
C	5.06	0.10
D	5.69	0.11
E	6.96	0.13
F	8.23	0.16
G	9.49	0.18
H	11.39	0.22

3.19 Public consultation has been undertaken on the budget (Appendix 6). The consultation clearly determined that residents felt that the following services were the most important to them.

- Street cleansing;
- Parks, playgrounds and open spaces;
- Refuse and recycling collection; and,
- Town centre regeneration.

It also showed that residents feel that both indoor and outdoor leisure facilities should be protected in addition to the regeneration of the town centre.

3.20 The consultation has been reviewed by Cabinet and the views of those residents that have engaged in the consultation have been taken account of, and reflected, in the 2019/20 savings and funding strategy.

4. Medium Term Financial Strategy - 2019/20 to 2023/24

4.1 The MTFS is being continually reviewed for 2020/21 to 2023/24. The shortfalls were estimated as follows in the MTFS approved by Cabinet on 17 October 2018:

- £1.064m in 2020/21;
- £0.764m in 2021/22;
- £0.644m in 2022/23; and,
- £0.508m in 2023/24.

4.2 The Finance Settlement for 2018/19 announced that by 2020/21 local government will retain 75% of business rate revenues; this will be a significant reform of local government finance and is likely to come with additional responsibilities for local authorities (details of which have yet to be announced).

4.3 It may further empower local authorities to deliver services in a way that is right for their area, whilst also significantly increasing the risks associated with the levels of business rates collected (i.e. the less collected due to non-payment or appeals against revaluations by businesses, the less business rates the Council will retain).

4.4 The 2019 Spending Review will confirm overall local government resourcing from 2020/21. The Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels.

4.5 For the purposes of the Medium Term Financial Strategy is has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

4.6 Previous years' budget shortfalls have been addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases, consideration of the need for Council Tax increases, the flexible use of capital receipts, and service reviews. These will continue to be pursued to meet future shortfalls.

5. Capital Programme 2019/20 to 2021/22

5.1 The Capital Programme for 2019/20 to 2021/22 (Appendix 3) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £18.992m.

5.2 The Capital Programme is produced in line with the new Capital Strategy for 2019/20 to 2028/29 (separate report on the agenda). In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors:

- Central government and its agencies;
- Legislation requiring capital works;
- Partner organisations;
- Businesses and Developers; and,
- The needs and views of other interested parties, particularly those of Borough residents.

5.3 The capital programme for 2019/20 will be funded without the need for long term prudential borrowing. If the anticipated capital receipts are delayed the Council will manage the resulting cash-flow impact by re-profiling expenditure or undertaking temporary borrowing. It is not expected that this will have a material impact on the revenue budget, given the current low level of interest rates.

5.4 In the longer term prudential borrowing will be required by the Council in order to fund the ongoing maintenance of assets and planned investment once capital receipts have been exhausted. Advice will be sought from the Council's Treasury Management advisors, Arlingclose as to the most beneficial method of capital financing and timing of any prudential borrowing.

5.5 In summary, investment in the capital programme totalling £18.992m will be funded by:

- £6.165m External Funding;
- £9.271m Capital Receipts;
- £0.217m ICT Development Fund; and,
- £3.339m Vehicle Leasing / Prudential Borrowing

6. Balances and Reserves

6.1 A review of the Council's Balances and Reserves together with a risk assessment informing the levels of these has been undertaken. Details of the risk factors considered and the weightings applied to each are set out at Appendix 2.

6.2 The Council's S151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £1.548m be held to reflect the levels of revenue risk shown. Therefore, the Council's Balances and Reserves Strategy for 2019/20 is that there should be a minimum General Fund balance of £1.448m and a Contingency Reserve of £100,000.

6.3 The strategy referred to in paragraph 2.3 (flexible use of capital receipts) will be utilised in order to ensure that the minimum General Fund balance of £1.448m and Contingency Reserve balance of £100,000 will be provided for 2019/20.

7. Legal and Statutory Implications

7.1 The Council is required to set its Council Tax for 2019/20 by 11 March 2019. However, it is planned to approve the final budget and council tax rates on the 20 February 2019.

8. Risk Statement

8.1 Section 25 of the Local Government Act 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the budget include:

- Spending in excess of the budget;
- Income falling short of the budget; and,
- Unforeseen elements e.g. changes to legislation or reductions in government grants.

8.2 Such risks require regular and robust monitoring and it is essential that the Council has sufficient reserves to call on if required (see Section 6 above). The review and risk assessment indicates that overall reserves are required to be increased to £1.548m to reflect the levels of risk shown.

8.3 The assessment of the Section 151 Officer is that the draft proposals included in this report are robust and will ensure an adequate level of reserves. However, it should be noted that a number of assumptions and proposals are provisional or draft, and as such this opinion will be confirmed in the Revenue and Capital Budgets and Council Tax 2019/20 reports to Cabinet on 6th February 2019 and to Council on 20th February 2019.

9. **Budget Timetable**

9.1 The current timetable for the setting of the 2019/20 budget and Council Tax levels is:-

When	Who	What
16 January	Cabinet	Consideration of draft budget proposals
24 January	FAPSC*	Scrutiny of the draft budget proposals
6 February	Cabinet	Final budget proposals to be recommended for approval by Full Council
20 February	Full Council	To approve the budget and set council tax levels

*FAPSC – Finance, Assets and Partnerships Scrutiny Committee

10. **Earlier Cabinet Resolutions**

Medium Term Financial Strategy 2019/20 to 2021/22 (Cabinet 17 October 2018)

11. **List of Appendices**

Appendix 1: Savings and Funding Strategies
Appendix 2: Risk Assessment on Required Balances/Contingency Reserve
Appendix 3: Capital Programme 2019/20 to 2021/22
Appendix 4: Key Council Achievements in 2018/19
Appendix 5: Flexible Use of Capital Receipts Strategy 2019 to 2022
Appendix 6: 2019/20 Budget Consultation Report

Appendix 1 - 2019/20 Savings and Funding Strategies Being Considered

Ref	Service Area (Portfolio Holder)	Description	£000's	% of Budget Line	Detail
					Income
I1	Communications (Councillor Tagg)	Advertising Income	20	44.4%	Additional income from advertising income project (i.e. billboards and car parks). Sites have been identified to be pursued further
I2	Environmental Health (Councillor Johnson)	Licensing Income	80	20.0%	Increased demand in licensing requirements from customers, based on the number of licences forecast to be applied for during 2019/20
I3	Operational Services (Councillor Johnson)	Bereavement Services Income	100	5.9%	Increased demand in Bereavement Services requirements from customers, based on the number of cremations forecast to be undertaken during 2019/20
I4	Planning and Development (Councillor Northcott)	Development Control Income	100	20.7%	Increase in planning income as a result of the 20% national increase in fees chargeable
I5	Recycling and Fleet (Councillor Johnson)	Green Waste Income	200	N/A	Introduction of a fee of £36 per initial bin for subscribing households for the collection of green waste, resulting from the withdrawal of green waste recycling credits payments received from Staffordshire County Council
			500		
					Staffing Related Efficiencies
S1	All (Councillor Tagg)	Vacant Posts and Flexible Retirements	159	TBC	A review of vacant posts and service. A number of employees have been approved for flexible retirement within the Revenues and Benefits and Customer Services
S2	Finance (Councillor Sweeney)	Car Leasing Scheme	36	76.2%	Staff car leases to which the Council previously contributed not renewed following expiry
S3	Housing, Regeneration and Assets (Councillor Jill Waring)	Transfer of Disabled Facilities Function	72	29.9%	The transfer and retirement of Housing Officers following the transfer of the disabled facilities function to Millbrook Healthcare
S4	Housing, Regeneration and Assets (Councillor Northcott)	Restructure	26	6.0%	Minor restructure of the Facilities Management section and a reduction in hours of the Head of Housing, Regeneration and Assets
S5	Executive Management Team (Councillor Tagg)	Restructure	117	24.2%	A restructure of the Executive Management Team following a review of the Council's Senior Management structure
			410		

Good Housekeeping/General Other Savings/Changes in Base Budgets					
G1	Central Services (Councillor Tagg)	Whole Council Elections	50	44.6%	Following the move to all out, 4 yearly Elections, an annual saving in the amount set aside for Elections can be made. A contribution will be made into a reserve from the remaining budget to allow for the required budget at the next all out Election (including printing costs)
G2	Finance (Councillor Sweeney)	External Audit Fees	13	20.6%	A reduction in the fees charged to the Council by Grant Thornton for the audit of the Council's statement of accounts
G3	Leisure and Cultural (Councillor Holland)	Community Centres	14	27.2%	As a result of the successful granting of full leases to Community Centre committees, agreed as part of the 2015/16 budget setting process
G4	Leisure and Cultural (Councillor Holland)	New Victoria Theatre Grant	10	17.5%	Phased reduction of grant given over a 5 year period agreed as part of the 2015/16 budget setting process
G5	Leisure and Cultural (Councillor Tagg)	Kidsgrove Sports Centre	100	100.0%	Reduction in base budgets required relating to the re-opening and running of the centre by a Community Interest Group. This is net of the borrowing costs associated with the initial contribution to the Community Interest Group from the Council
G6	Leisure and Cultural (Councillor Holland)	Castle Sport/Sports Council	19	100.0%	The reserves that are held on behalf of Castle Sport are sufficient to enable the organisation to work towards becoming self-sufficient in the medium term
G7	Housing, Regeneration and Assets (Councillor Northcott)	Public Toilets Business Rates	5	100.0%	Introduction of Government legislation to grant a 100% relief from business rates for all standalone public toilets
G8	All (All)	Good Housekeeping Savings	231	TBC	Reductions in budgetary requirements for supplies and services following a review of areas of underspend (e.g. printing, training, fuel, fees for services)
			442		
Alternative Sources of Finance/Other					
A1	Corporate (Councillor Tagg)	Superannuation Lump Sum	140	7.7%	Negotiation of the contribution rate relating to pensions contributions and a discount for the advanced payment to the Pensions Actuary of superannuation lump sums
A2	Corporate (Councillor Tagg)	Council Tax Base	58	0.8%	An increase in the Council Tax Base resulting from new properties, an increase in collection rate and a reduction in residents eligible for Council Tax Reduction (increase of 305 residential properties)
A3	Corporate (Councillor Northcott)	New Homes Bonus contribution	192	15.2%	Further additional New Homes Bonus funding to be received in 2019/20 as a result of new properties and a reduction in the number of empty properties within the Borough.
A4	Corporate (Councillor Sweeney)	Council Tax Increase	211	2.99%	Assumed increase of 2.99% per Band D equivalent property, any increase above this amount would be subject to a referendum
A5	Corporate (Councillor Sweeney)	Parish Council Section 136 Contributions	15	25.0%	Following on from the previous administrations policy, regarding the payment made to Parish Councils for concurrent functions, as agreed as part of the 2017/18 budget setting process

A6	Corporate (Councillor Sweeney)	Flexible Use of Capital Receipts	500	N/A	The flexible use of capital receipts direction allows certain types of expenditure to be charged to capital rather than revenue, examples of these include, restructuring, digital delivery, generation of ongoing efficiencies and equipment
			1,116		
		Grand Total	***2,468***		

Appendix 2 – Risk Assessment on Required Balances/Contingency Reserve

Note: All these risks relate to the Business Objective 'To set a balanced, affordable and achievable budget'

All of the risks fall into the "Finance" Category

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
2	Reduced Income due to non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general change in market conditions, eg because of demand fluctuations	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a sundry bad debts provision (£104k balance at 31/03/18). £30k contribution to provision included in the base budget.	3 x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a
5	Employee budgets – The budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £150,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2%. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2019/20 employee pay settlement results in an increase higher than included in the budget.	Additional unbudgeted costs	2 x 1	Low	Pay Spine review known in advance. Balances sufficient to deal with any additional costs, plus reduced job security in economy.	2 x 1	Low	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention resulting in the payment of market supplements at extra cost.	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Problems with staff sickness/suspensions	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
	resulting in the needs to use agency/interim staff at extra cost.									
9	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
11	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
12	Fall in interest rates reduces income to the Council.	Investment income targets not met	2 x 2	Moderate	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	1 x 2	Low	None	Exec Mgt Team	N/a
13	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	2 x 2	Moderate	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	1 x 2	Low	None	Exec Mgt Team	N/a
14	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op Serv	N/a
15	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Mgt Team	N/a
16	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
17	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
18	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
19	Government increase NI rates during 2019/20. An	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
	increase of 1% adds about £100,000 to the Council's costs									
20	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
21	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
22	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
23	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Few partnerships in place now. Monitor partnership activities and ensure carried out according to agreements.	2 x 1	Low	None	Exec Mgt Team	N/a
24	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency (over threshold set-£25k for NBC)	4 x 2	Moderate	None	Exec Mgt Team	N/a
25	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	2 x 3	Moderate	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	2 x 3	Moderate	Frequent reviews of investment strategy	Exec Dir Resources	N/a
26	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module.	3 x 3	High	None	Exec Mgt Team	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
28	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer.	3 x 3	High	None	Exec Mgt Team	N/a
29	Volatility in respect of Brexit	Additional unbudgeted costs re supplies and services and utilities	3 x 3	High	Include in calculation of prudent minimum balances.	3 x 3	High	Monitor	Exec Mgt Team	N/a

Impact (I)	**Likelihood (L)**	**Score**	**Risk rating**
1 - Negligible <£25,000	1 - Extremely Unlikely		
2 - Marginal <£50,000	2 - Remote Chance	1-2	Low Risk
3 - Serious <£250,000	3 - Possible	3-8	Moderate Risk
4 - Critical <£1m	4 - Probable	9-15	High Risk
5 - Catastrophic >.£1m	5 - Frequent / very likely	16-25	Extreme Risk

Appendix 3 – Capital Programme 2019/20 to 2021/22

CAPITAL PROJECTS	Proposed Programme			
	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£
PRIORITY - Local Services that work for Local People				
Service Area - Council Modernisation	195,000	320,000	486,000	1,001,000
Total	**195,000**	**320,000**	**486,000**	**1,001,000**
PRIORITY - Growing our People and Places				
Service Area - Housing Improvements	1,075,000	1,080,000	1,130,000	3,285,000
Service Area - Managing Property & Assets	437,456	82,359	101,500	621,315
Total	**1,512,456**	**1,162,359**	**1,231,500**	**3,906,315**
PRIORITY - A Healthy, Active and Safe Borough				
Service Area - Environmental Health	0	10,000	0	10,000
Service Area - Streetscene and Bereavement Services	355,000	470,600	945,600	1,771,200
Service Area - Recycling and Fleet	666,000	3,983,000	573,500	5,222,500
Service Area - Leisure	546,000	681,000	331,000	1,558,000
Service Area - Museum	30,000	140,000	240,000	410,000
Service Area - Managing Property & Assets	387,463	49,035	40,456	476,954
Service Area - Engineering	172,215	15,873	170,193	358,281
Total	**2,156,678**	**5,349,508**	**2,300,749**	**9,806,935**
PRIORITY - A Town Centre for All				
Service Area - Managing Property & Assets	652,165	1,519,428	1,106,383	3,277,975
Total	**652,165**	**1,519,428**	**1,106,383**	**3,277,975**
CONTINGENCY	1,000,000	0	0	**1,000,000**
TOTAL	**5,516,298**	**8,351,295**	**5,124,631**	**18,992,225**

FUNDING				
Capital Receipts	3,508,298	3,927,295	1,836,132	**9,271,725**
External Contributions	1,335,000	2,065,000	2,765,000	**6,165,000**
ICT Development Fund	117,000	50,000	50,000	**217,000**
Fleet Replacement - Leasing or Borrowing	556,000	2,309,000	473,500	**3,338,500**
TOTAL	**5,516,298**	**8,351,295**	**5,124,632**	**18,992,225**

Appendix 4 - Key Council Achievements in 2018/19

KEY ACHIEVEMENTS IN 2018/19

Britain in Bloom -
Newcastle-under-Lyme has swept the board at the Heart of England in Bloom awards for the third year in a row. The borough's entry was announced the overall winner of the regional competition, with top spot also being achieved in the coveted small city category and a 17^{th} consecutive gold award, at the National Brewery Centre in Burton recently. This year's campaign has been the most successful ever for the Borough, winning a gold award in the RHS Britain in Bloom national finals Champion of Champions category, the highest accolade in the campaign. The Borough also won the national Wild About Gardens award for the second year in a row, and a Community Champion award for one of our local volunteers. A total of 7 of the Borough's strategic parks and cemeteries received Green Flag status this year.

Move to Castle House
This year has seen the move to our new home at Castle House, and it is encouraging that early feedback about the new building and working arrangements has been positive. This move allows the Council to embrace a new way of working and new opportunities of joined-up service delivery both amongst our own teams but also with our partners who are sharing the building with us, in order to provide improved local services for the people of the borough.

Our Digital Council
The introduction of a customer portal and self-service tools for a basket of council services will be a major step forward in the digital delivery of services for residents in Newcastle-under-Lyme. Digital technologies have the potential to improve the way the majority of council customers interact with local authority services whilst at the same time generating significant efficiency savings. A customer portal will help the Council make progress with both of these considerations and over the next 12 months we will further embrace the digital delivery of other services of the Council to enhance the local services offered.
Added to this, officers in the Recycling and Waste service are delivering major successes in a drive to get the most out of the Bartec waste management system. The technology is used by more than 60 councils in the UK for scheduling all types of waste collection, monitoring performance and continuous service improvement. Bartec helps teams out on the road to record key service data such as missed bins, contamination, presentation rates and so on.

ICT Infrastructure
During 2018, ICT oversaw the biggest upgrade of the Council's ICT infrastructure for the past 20 years. ICT oversaw the relocation of both the Council's primary and secondary data centres, without incurring any significant disruption for services during operational hours. Agile working has been successfully rolled out to more than half of the Council's office based staff and was a significant contributor towards the move to Castle House. Improved, flexible technology has been introduced across Council sites that facilitate staff working from any location and ICT has developed its relationship with Staffordshire County Council, resulting in a fully shared network infrastructure across Castle House.

The Council's website
The Council's website has been awarded a four star status for the first time since 2012/13.
In addition the Borough Council recently retained its Plain English Crystal Mark – a key factor in accessibility.

Kidsgrove Sports Centre
Plans to reopen part of Kidsgrove sports centre under a community management model have taken another positive step forward. Cabinet has agreed to make a one-off capital contribution of £300,000 towards opening the "dry side" facilities.

Use of Guildhall
The Council has worked with Support Staffordshire and a range of partners to establish a community and voluntary sector hub based at the Guildhall, which is now up and running. A wide range of organisations such as Staffordshire Adult Autistic Society, Shaw Trust-Work and Health Programme and Moneyline are providing their services for the people of the Borough. Friends of the Guildhall Group are providing cover for the reception area.

Supporting Retailers and Local Businesses
Working with partners the Council continues to support retailers and local business to remain and prosper in the town centres. The annual Business Boost competition, which provides business support and cash prizes is open to Newcastle based businesses some of which are based in our town centres. Working with Newcastle Business Improvement District and Appetite Creative People and Places Programme, we continue to celebrate our local cultural heritage by promoting events which encourage visitors, support local businesses and raise the profile of our towns. Newcastle town centre vacancy rate currently stands at less than17% with NBC owned building having a vacancy rate of 8.9% and Kidsgrove town centre vacancy rate is one of the lowest in the County at 6.4%.

FUTURE PLANS

New Recycling Service Planned
Within two years a new kerbside recycling and residual waste collection service will be introduced for all households. A new recycling service is planned for launch / delivery in two years' time. This will be a twin stream system and is at the heart of a proposed new kerbside recycling service. Residents will place most recycling in one wheelie bin, using a separate container for paper and card, and this will be collected every fortnight. This is only the first strand to a complete overhaul of the Council's recycling and waste services.

Keele University Growth Corridor
Exciting plans have been announced for the long-term expansion of the area to the west of Newcastle as a result of a significant planning exercise by the Council and its partners.
The vision outlines aspirational plans for the former golf course at Keele, parts of Silverdale and land adjacent to Keele University. The Keele University Growth Corridor responds to the borough's housing needs and ambitious plans set out in the Keele Deal which identifies opportunities for significant investment at the university and includes the provision for new housing on the former golf course, a new primary school and a small convenience store. An important feature will be the creation of attractive walking routes within the campus and residential parts of the scheme. Land has also been set aside to help the university meet its sustainability aims with renewable energy provision on the campus.

Regeneration of the Ryecroft area
Given the national changes to town centre retail demand, plans for the regeneration of the Ryecroft are to be reviewed. Newcastle-under-Lyme Borough Council and Staffordshire County Council will be working together to review options regarding the future development of the Ryecroft site. Both Councils are keen to ensure the successes of the Castle House development are mirrored within the Ryecroft scheme and provide an uplift to the townscape and the contribute to the development of a vibrant and successful town centre.

ICT Delivery
Over the next 12 months ICT will significantly improve the desktop services offered to users, with the roll out of Windows 10 and the latest version of Office. The team will also play a crucial role in supporting the Council's Digital ambitions from both the external customer perspective and for internal users. The technology and solutions that ICT deliver over the next 12 months will pave the way to fundamentally alter how services are delivered; allowing staff to be more productive and deliver better outcomes for the residents, visitors and businesses within Newcastle under Lyme.

Employment & Skills

The Council will continue to co-ordinate the Newcastle Employment and Skills Group, working with partners to address key issues around skills and employment across the borough, and work with the Stoke and Staffordshire LEP Education Trust to deliver the Skills Strategy to better meet employers' requirements. Our current claimant levels at 1.4% are lower than both the West Midlands (2.9%) and national levels (2.3%). This allows more focus and support to the long term unemployed, claiming Employment Support Allowance, to help them back into training and work.

Appendix 5 – Flexible Use of Capital Receipts Strategy

Flexible Use of Capital Receipts
2019 to 2022

Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

Power under which the guidance is issued

1. The Local Government Act 2003 ('the Act'), section 15(1) requires a local authority '… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …'.

2. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy (CIPFA)* contain guidance on capital receipts and local authority accounting that complement the DCLG guidance. These publications are:

    - *The Prudential Code for Capital Finance in Local Authorities*
    - *The Code of Practice on Local Authority Accounting*

3. Local authorities are required to have regard to the current edition of *Treasury Management in Public Services: Code of Practice and Sectoral Guidance Notes* by regulation 2 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]* and to the *Local Authority Accounting Code* as proper practices for preparing accounts under section 21(2) of the Act.

Application

4. This guidance applies with effect from 1 April 2016 to 31 March 2022 – i.e. to the financial year 2016-17 and for each subsequent financial year to which the flexible use of capital receipts direction applies.

5. The Council cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered.

The Council may not use its existing stock of capital receipts to finance the revenue costs of reform.

Qualifying expenditure

6. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority.

7. A list of types of project that would qualify for the flexible use of capital receipts is shown below. This list is not meant to be prescriptive or exhaustive and individual authorities who have projects that will generate ongoing savings that are not included in the list provided in the guidance can apply the flexibility to fund those projects.

Accountability and transparency

8. The Council is required to prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget.

Qualifying expenditure

Types of qualifying expenditure

9. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

10. Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

11. There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work, e.g. setting up pilot schemes
- Collaboration between local authorities and central government departments to free up land for economic use
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation
- Sharing Chief-Executives, management teams or staffing structures
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others)
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

Accountability and transparency

Preparation

12. For each financial year, the Council should ensure it prepares at least one Capital Strategy ("the Strategy")

Content

13. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility, that it details the split of up front funding for each project between capital receipts and other sources, and that on a project by project basis, a cost benefit analysis is included to highlight the expected savings. The Strategy should report the impact on the Councils Prudential Indicators for the forthcoming year and subsequent years.

14. From the 2017-18 Strategy and in each future year, the Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial cost/benefit analysis.

15. The Strategy may also include any other matters considered to be relevant.

Approval

16. The Strategy should be approved by the full council.

Timing

17. For any financial year an efficiency Strategy ("the initial Strategy") should be prepared and approved before the start of the year.

2019/20 Strategy

The Council intends to use capital receipts received in 2019/20 to finance qualifying expenditure up to £500,000 in accordance with the Guidance. The projects which will be financed in this way are shown in the table below.

Project	Expenditure	Expected Savings
	£,000	£'000
Digital Delivery Project	100	200
New Recycling Service - Preparatory Costs	120	187
Chargeable Garden Waste Preparatory Costs	40	306
Building Efficiency Works Expenditure	36	36
Town Centre	104	TBC
Building for the Future	100	217
Total	**500**	**946**

The individual projects selected within these categories will be financed entirely from in year capital receipts

2018/19 and Previous Years' Flexible use of Capital Receipts

The Council financed qualifying expenditure in 2017/18 in accordance with the Guidance, and further intends to finance such expenditure in 2018/19, as shown in the table below.

Project	Expenditure	Expected Savings
	£,000	£'000
2017/18		
Castle House Project - Redundancy Costs	80	80
2018/19		
Restructuring Costs	196	302
Digital Delivery Project	86	200
Castle House - Project Supervision	22	50
Chargeable Garden Waste Preparatory Costs	157	306
Building Efficiency Works Expenditure	39	50
Total	**500**	

All of these projects are in the process of being completed. It is anticipated that the expected savings will be achieved.

Appendix 6 – 2019/20 Budget Consultation Reports

NEWCASTLE UNDER LYME
BOROUGH COUNCIL

2019/20 Budget Consultation report

Headline findings

- 124 responses
  - 99 per cent were residents from the borough
- Improving street cleaning and reducing litter seen as important to improve quality of life for local community
  - Followed closely by re-opening Kidsgrove sports centre and improving leisure facilities there
- Most important services were:
  - Street cleaning
  - Parks, playgrounds and open spaces
  - Refuse collection
  - Town centre regeneration
  - Recycling facilities
- Non-statutory services that respondents want to be protected:
  - Town centre regeneration
  - Indoor leisure centres
  - Outdoor leisure facilities
- 58 per cent want to protect services even if it means an increase in Council Tax
- Oldest and youngest age groups were under-represented
- Responses from 20 wards.

Background

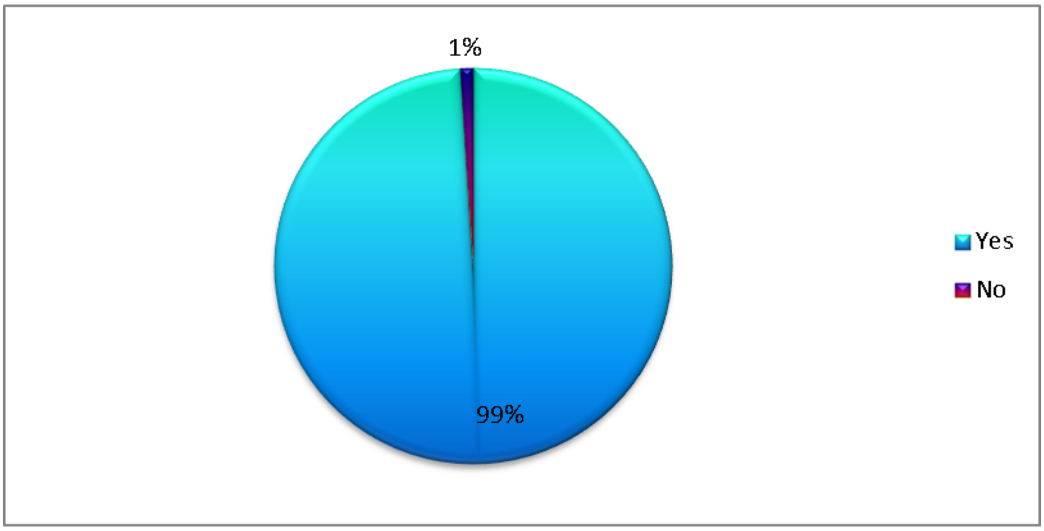
There were 124 responses to this survey, which was open from 18 October until 30 November, but not all respondents answered every question. In the introductory text respondents were advised of services that were not the responsibility of the Borough Council, though some respondents still recommended that we protected such services from funding cuts.

Analysis of data

Q1) Are you a resident of the borough of Newcastle-under-Lyme?
Not everyone answered this question, but, of the 119 who did, 99 per cent of them said that they were a resident. Only 1 respondent said that they were not.

- Five respondents did not answer the question,
  - One later provided a Newcastle-under-Lyme borough postcode so they have been classed as being a resident of the borough.
  - One respondent provided a Stoke-on-Trent postcode
  - Three did not provide a postcode at all.

Figure 1: Q1) Are you a resident of the borough of Newcastle-under-Lyme? 120 respondents



Q2) What is the single most important thing the Council could do differently to improve the quality of life for your local community?

This was a purely open question – an open text box was provided for respondents to answer, purely unprompted, with no suggested answers to choose from.

101 respondents answered this question. Unfortunately, despite the disclaimer at the start of the survey about which services we did not provide, there were several comments that said we should improve the NHS, schools and social care and give more money to the police.

Of the other responses there were some themes that were mentioned by several respondents:

- Improve street cleaning and reduce litter / have more litter bins (13 responses)
- Re-open Kidsgrove swimming pool / improve leisure facilities there (12 responses)
    - Three separate comments said that there should be further general investment in Kidsgrove
        - Use the spare land around Mount Road / Liverpool Road
- Improve town centres (11 responses)
    - Free parking in town centres
    - Ban chuggers / beggars
    - Reduce/freeze business rates to fill empty shops and the markets
- Improve waste / recycling collection (seven responses)
    - Pick up what has been dropped
    - Provide service to flats
    - Introduce nail recycling
- Don't charge for garden waste (four responses)
- Improve leisure / sports facilities (four responses)
- Improve public transport, in particular in rural parts of the borough (four responses)
- Be quicker / better to sort fly-tipping (three responses)

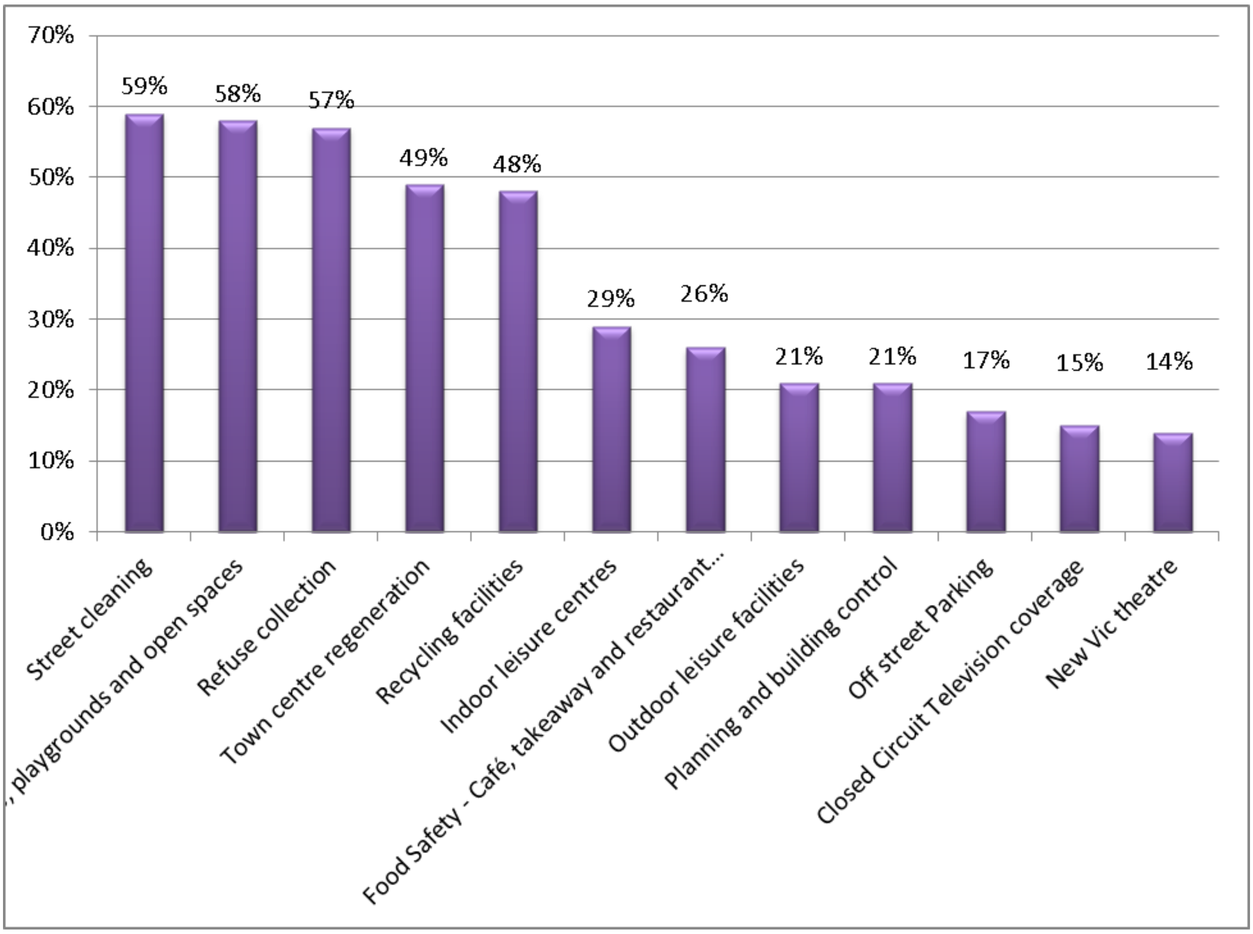
Q3) Which of these Council services are the most important to you?
For this question, respondents were asked to choose up to five services from a list of 12 services. As respondents could choose up to five options, totals will add up to more than 100 per cent.

Five services were, by some distance, more popular than the other choices:

- Street cleaning (chosen by 59 per cent of respondents)
- Parks, playgrounds and open spaces (58 per cent)

- Refuse collection, (57 per cent)
- Town centre regeneration (49 per cent)
- Recycling facilities (48 per cent)

Figure 2: Which of these Council services are the most important to you? 124 respondents



Respondents were given the chance to answer 'other' and then to say which other services they considered important, and 12 gave the following responses which are as submitted – only spelling mistakes have been altered:

- Filling in potholes
- A secure parking area in the town where disabled people, who can manage a short stroll in town, could park their mobility scooters would be a wonderful help.an indoor market and an office in town were people with serious problems with goods they have purchased from certain shops could report their problem. Now we cannot report to Trading Standards directly we have to log are complaint with an agency who forward it onto them, we are told we will not be able to find out the outcome of our complaints! I myself have lost £2,500 from a store in town and have no one to help me as have other people I presume.
- As above support for the most vulnerable in our community
- Free parking in city centres and hospitals
- All of these
- Financial inclusion initiatives
- Why if I go to Kidsgrove can one person deal with everything, but if I go to the Guildhall, benefits are downstairs but I have to see someone different if I want anything else. It's stupid.
- Community centre
- Community involvement

- Because it's part of your remit to provide these services under your current charges without adding extra expense
- Very annoyed at additional charges for green waste collection. The council are asking we sign up for a 'new service' - this is an existing service we already pay for!!! Not prepare to register to pay extra for services we already pay for - predict people will just use general waste (grey bin) or fly tip. You will be creating your own problems. Really annoyed this 'dressed up' as a new service!
- The excellent Brampton Museum - needs to have Wi-Fi access available.

Q4) Out of the following services which the Council is not required by law to provide would you most like to see protected? Please tick up to five boxes.

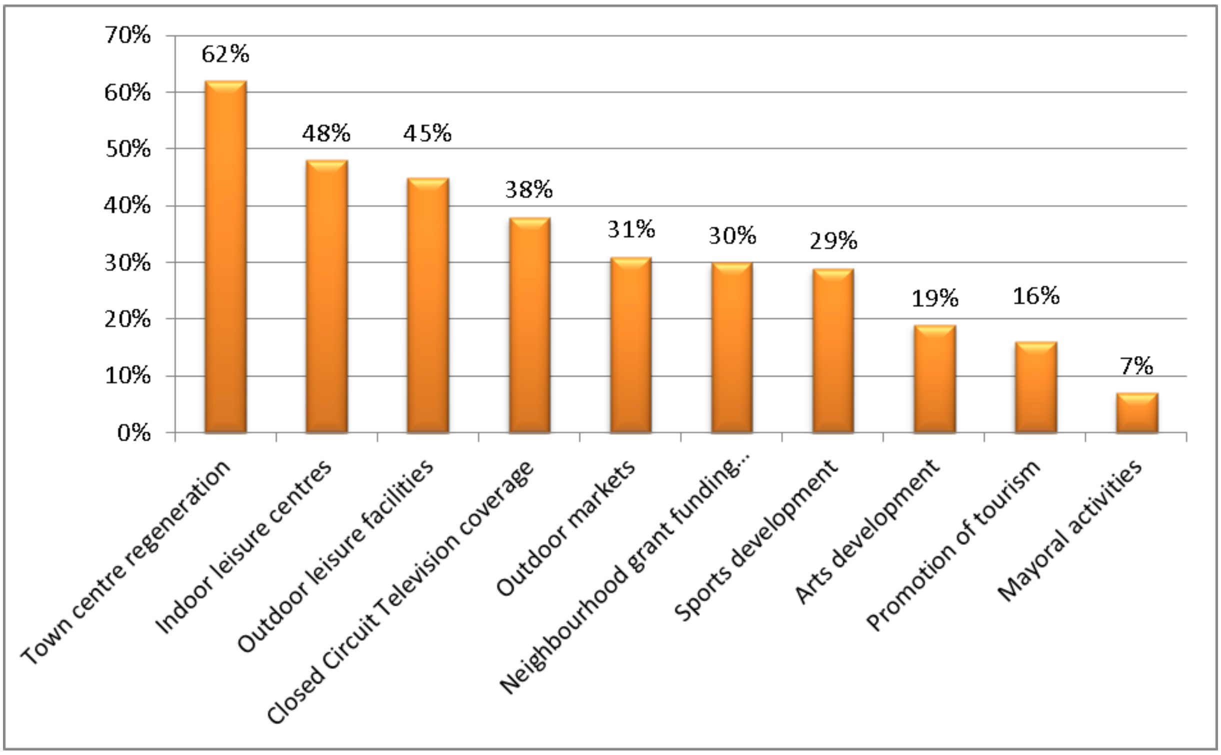
Again, respondents were asked to choose up to five options out of a list of 10 services. There were three services that were significantly more popular than any others, namely:

- Town centre regeneration (62 per cent)
- Indoor leisure centres (48 per cent)
- Outdoor leisure facilities (45 per cent)

…and three in particular were chosen by relatively few respondents:

- Mayoral activities (7 per cent)
- Promotion of tourism (16 per cent)
- Arts development (19 per cent)

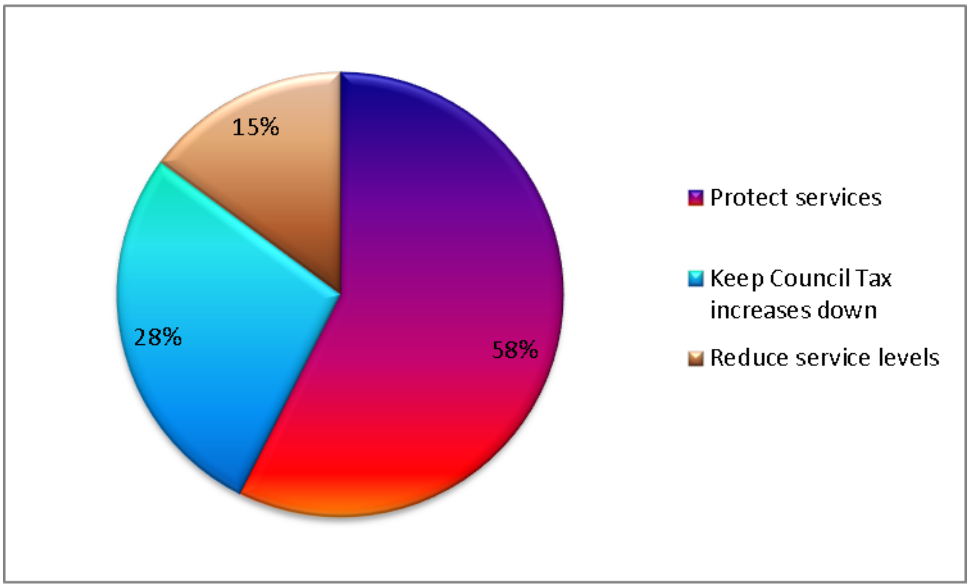
Figure 3: Out of the following services which the Council is not required by law to provide would you most like to see protected? 124 responses



Q5) When making decisions about spending plans for next year and beyond, should we...
Respondents were asked to choose from a set list of three options, and they were chosen as follows:

- *Protect services, even if this means we will need to increase Council Tax and charges to service users because of central funding reductions.* This was by far the most popular option, chosen by more than half (58 per cent) of all respondents.
- *Reduce levels of service to make sure that Council Tax rises and fee increases for service users are kept to a minimum* was the second most popular choice. This was selected by a little over one-quarter (28 per cent) of respondents.
- To *not increase Council Tax or charges for service users, but instead look to reduce service levels towards a core statutory offer - that is, excluding those listed in question 3,* was comparatively unpopular, chosen by 15 per cent.

Figure 4: When making decisions about spending plans for next year and beyond, should we....121 responses



Q6) Are there any particular service areas where you feel Newcastle-under-Lyme Borough Council should not reduce its funding?

This was another open comments box where respondents were asked to make suggestions, unprompted, and 88 did so. Unfortunately, a significant proportion mentioned services that are not provided by the Borough Council – mostly schools, the police and potholes - and they are therefore disregarded here. But of the relevant services, there were themes mentioned by several respondents:

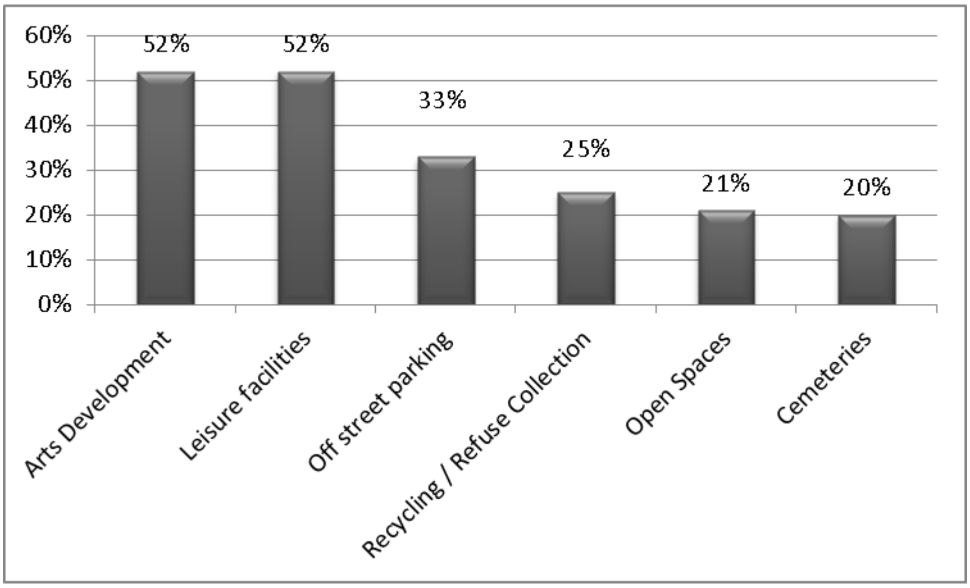
• Refuse/recycling collection	17 respondents
○ Garden waste	5
• Street cleaning	9
• Leisure	8
• Town centre regeneration	7
• Reduce nothing – austerity should be over	5
• Environmental health	3

Q7) Which service areas should the Council seek to generate additional income from service users in order to help balance the budget? Please tick as many as you feel are appropriate.

Respondents were asked to choose from a list of six options, and could select as many of these six as they wanted to – explaining why percentages add up to more than 100 per cent.

Arts development and leisure facilities were chosen clearly ahead of the others as the following chart demonstrates.

Figure 5: Out of the following services which the Council is not required by law to provide would you most like to see protected? 124 responses



Q8) Is there anything else you think the Council should consider a priority when setting the budget?

Another open comments box invited respondents to make unprompted suggestions and 66 took the opportunity to do so. Again, several of the comments related to services that the borough council does not provide and they have been disregarded. The below are all the comments made by at least two respondents

- Sort out parking 5 respondents
  - Town centre parking should be free or cheaper – to generate the town and to prevent people parking on pavements
- Give Kidsgrove its fair share of money 4
  - 20 per cent of the population should get 20 per cent of funding
  - Clough Hall and town centre are neglected
- Communicate better with residents 4
  - Be clear and open about what you are spending and on what, how much was spent on Castle House and renovating where the Civic Offices were located – explain what the Borough Council does and what is provided by Staffordshire County Council
- Reduce numbers of councillors and managers 4
  - Cut expenses - Half of councillors waste money by having Ipads and printed documents on paper in meetings
- Reconsider charging for garden waste 3
- Town centre regeneration 3
- Work better with other councils (Stoke and Staffordshire) 3
- Stop wasting money on Britain in Bloom 2
- Build only on brownfield – not green belt 2
- Do not make any cuts 2
- Save money by abolishing the position of mayor 2

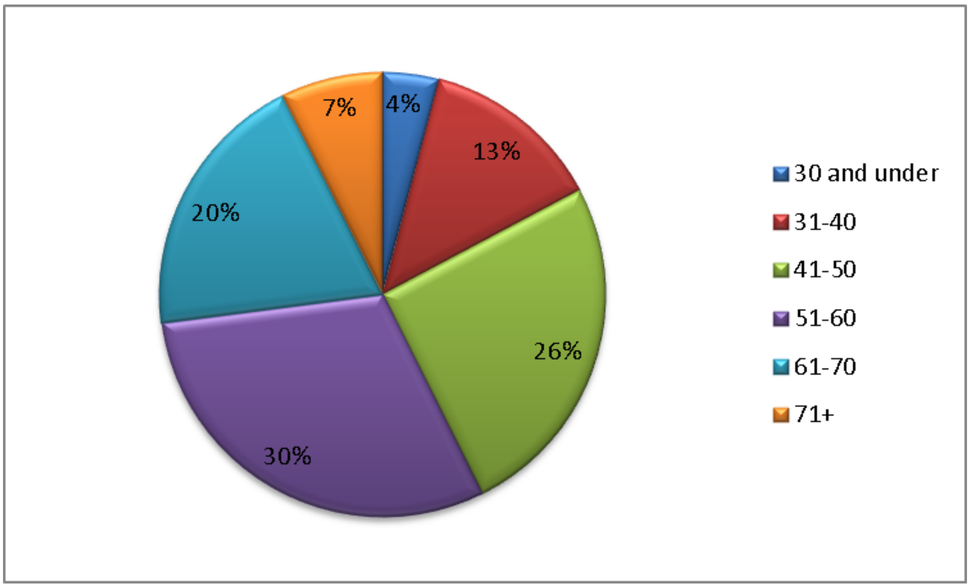
Profile of respondents

Finally, respondents were asked to provide their age and postcode – this enables us to see how representative of the borough the respondents were. The following table shows how many respondents were received by broad age group compared to the population of the borough.
As the following table shows, the youngest and the oldest age groups were very much under-represented, with those aged 41 to 70 being over-represented.

Table 1: Age profile of respondents compared to the borough based on 122 responses

Broad age group	Proportion of respondents	Proportion of residents in the borough
30 and under	4.1%	22.7%
31-40	13.1%	14.1%
41-50	25.4%	15.2%
51-60	30.3%	16.6%
61-70	19.7%	14.2%
71+	7.4%	17.3%

Figure 6: Age profile of respondents – 122 responses



Location of respondents

Unfortunately, not all respondents did provide valid postcodes –

- 13 put incomplete ST5 postcodes
- Nine put incomplete ST7 postcodes

There were only 82 valid postcodes, and they were from 20 wards, as follows:

Table 2: Respondents by ward. 82 valid responses

Ward	Respondents
Audley	4
Bradwell	2
Clayton	3
Crackley and Red Street	1
Cross Heath	1
Holditch and Chesterton	2
Keele	1
Kidsgrove and Ravenscliffe	13
Knutton	4
Loggerheads	5
Madeley and Betley	2
Maer and Whitmore	1
May Bank	7
Newchapel and Mow Cop	3
Talke and Butt Lane	7
Thistleberry	3
Town	7
Westbury Park and Northwood	3
Westlands	3
Wolstanton	10
Unknown ST5	13
Unknown ST7	9
No postcode provided	18

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

16 January 2019

1. CAPITAL STRATEGY 2019/29

Submitted by: **Executive Director – Resources and Support Services**

Portfolio: **Finance and Efficiency**

Ward(s) affected: **All Indirectly**

Purpose of the Report

To approve the Capital Strategy for 2019/29 for presentation to Full Council for final approval.

Recommendations

(a) That the Capital Strategy Report for 2019/29 be approved for submission to Full Council's final approval.

Reasons

The Council needs to have an approved Capital Strategy for 2019/29 in place before the start of the 2019/29 financial year.

1. **Background**

1.1 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

2. **Issues**

2.1 The Capital Strategy for 2019/29 is attached at Appendix 1.

2.2 This Capital Strategy is a new strategy for 2019/29, meeting the requirements of statutory guidance issued by the government in January 2018

2.3 The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

2.4 This Strategy is part of several strategies including the Council's Investment Strategy and Treasury Management Strategy.

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the strategy report.

5. **Major Risks**

5.1 Capital projects are a major area of risk for the Council in that large amounts of money can be involved.

5.2 The overriding consideration is to safeguard the Council's capital. Within this constraint the aim is to maximise any return.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

6.1 Appendix 1, Capital Strategy Report 2019/29.

7. **Background Papers**

- Council's Treasury Management Strategy 2019/20;
- Council's Investment Strategy 2019/20;
- Local Government Act 2003; and
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Capital Strategy
2019 to 2029

Contents

Introduction

The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

The Council's current detailed capital investment plan is contained in its approved Capital Programme. A Capital Programme totalling £2,549,000 was approved for 2018/19 on 21 February 2018. Of this total £1,502,000 relates to the total cost of new schemes for 2018/19 together with £1,000,000 for schemes funded by external sources (Disabled Facilities Grants) and £47,000 brought forward from the original 2017/18 Capital Programme. In addition £332,630 slippage was incurred in 2017/18, resulting in a total Capital Programme of £2,881,630 for 2018/19. This takes account of slippage coming forward from 2017/18 and is summarised below, showing the constituent categories of projects:

Project Categories	**Planned Expenditure £m**
Improving Housing in the Borough	1.000
Investing in Community Facilities	0.195
Investing for the Future	0.294
Vehicles, Plant and Equipment	1.393
Total	2.882

Full Council will consider a capital programme to continue investment beyond 2018/19 on 20 February 2019.

The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects have reduced to a low level and will need replenishing before any substantial further capital investments can be made. As a result the Council is considering and consulting upon a programme of asset disposals to address this situation. In the interim period, before asset sales can provide these additional resources, the current approved Capital Programme was restricted to cover a two year period, 2017/18 to 2018/19. In 2018/19 this included only £1.502m of new projects funded from the Council's own resources.

Key Objectives and Priorities

The Council's Priorities contained in the Council Plan are:

Local Services that work for Local People
Growing our People and Places
A Healthy, Active and Safe Borough
A Town Centre for All

Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of these Priority Areas. An indication is shown against each project in the Programme of the area or areas it addresses.

New proposals for capital investment will be assessed against the corporate priorities to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.

The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.

A Capital Review Group is in place and chaired by the Executive Director of Resources and Support Services. This Group keeps the Council's capital investment strategy under continuous review, including the prioritisation of projects for inclusion in future capital investment programmes over the medium term. Regular reviews of the property portfolio will be carried out by the group to identify properties or land which could potentially be disposed of, following a consultation process in the case of significant proposals, and a capital receipt obtained from the sale.

Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.

The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.

Factors Influencing the Capital Programme

Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors. The more significant of these can be summarised diagrammatically as follows:

INTERNAL	**EXTERNAL**
Corporate Priorities, as set out in the Council Plan	Government sponsored programmes, e.g. Disabled Facilities Grants
Investment identified in Strategies, Policies and Plans	Unforeseen Emergency Works
Work needed to maintain Property Assets	Works required to comply with legislation, e.g. re disabled access, health and safety
Vehicles, Plant and Equipment replacement needs	Projects resulting from Partnership Activity
ICT Investment and Replacement	Availability of External Funding
Invest to Save Projects	Public expectation that works should be carried out

These are discussed in greater detail in sections below:

Links with Other Strategies, Policies and Plans

As well as the Council's Plan and the Capital Programme the Capital Strategy has clear links to many other strategies, policies and plans, the most significant of which are shown in the following table:

Key Strategies:
Economic Development Strategy
Health and Wellbeing Strategy
Stronger and Safer Communities Strategy

Other Strategies:
Asset Management Strategy
Investment Strategy
Medium Term Financial Strategy
Flexible Use of Capital Receipts Strategy
Service and Financial Plans
Procurement Strategy
North Staffs Green Spaces Strategy
Private Sector Housing Renewal Strategy
Housing Strategy
Arts and Cultural Strategy
Customer Access Strategy
Energy Efficiency and Climate Change Strategy and Carbon Reduction Plan
Treasury Management Strategy
Sustainable Community Strategy

An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences. Equally important is the opportunity to generate capital receipts from the disposal of land/property where there is no current or likely future operational need.

The Investment Strategy sets out the Council's policies and practices in relation to commercial investments, for example investments in property and will include information about any such proposals, including funding the expenditure and the effect upon the revenue budget. Expenditure relating to commercial investments will be capital and will be included in the capital programme.

The Medium Term Financial Strategy will take account of the revenue effect of capital investment.

The Flexible Use of Capital Receipts Strategy sets out the conditions and arrangements in place to flexibly use Capital Receipts for qualifying expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives, methodologies the principles and practices set out in the Procurement Strategy.

The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.

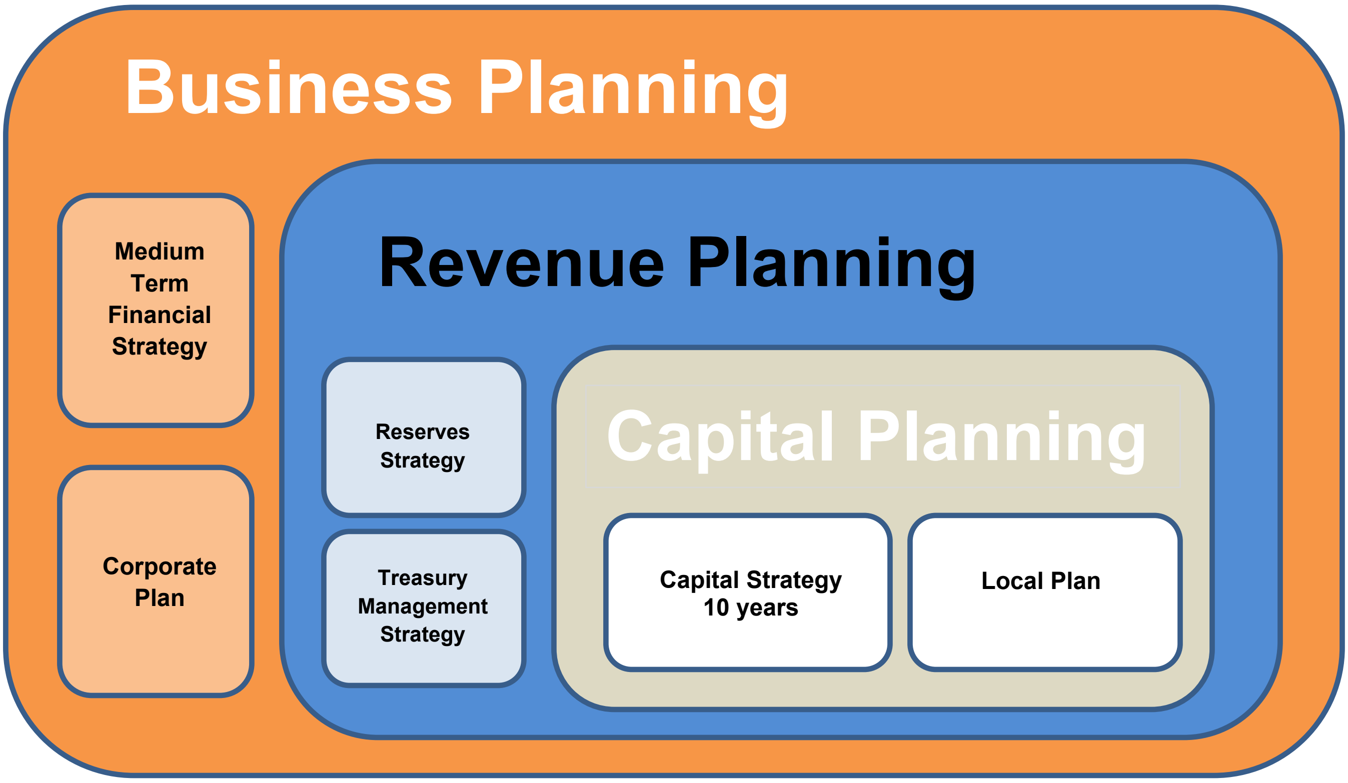
The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.

In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, including potential "invest to save" projects, some of which may be capital investment.

The Council plans to set up a Revolving Investment Fund to assist in the generation of capital receipts and help fund future capital investments. A revolving fund is a fund or account that remains available to finance an organisation's continuing operations without any fiscal year limitation, because the organisation replenishes the fund by repaying money used from the account. The Council proposes to set up a fund to the value of £1m which will be used to fund projects which will have an investment return. There are many different project areas which this fund could be applied to such as:-

- Digital Delivery Programme
- Asset Disposal
- Economic Growth
- Housing Growth Programme

Simple Business Planning Model



External Influences, Partners and Consultation with Other Interested Parties

The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and by the needs and views of other interested parties, particularly those of Borough residents

Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Disabled Facilities Grants, this is a major area of investment where funding is provided by Government to meet a proportion of the costs of some of these activities. This funding currently consists mainly of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants.

Where it may be required by legislation to carry out works of a capital nature, such as to comply with the Disablement Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.

The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners' needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.

Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the Staffordshire and Stoke on Trent Local Enterprise Partnership (LEP) or similar sub-regional partnerships which seek to stimulate economic growth.

The Council has established a Town Centre Partnership, together with relevant parties such as representatives of retailers and businesses in the town centres of Newcastle and Kidsgrove. The partnership may identify proposals for town centre improvements which could place demands upon future capital programmes where such works align with the Council's economic development objectives. It may also present an opportunity for costs to be shared between the parties likely to benefit from their implementation.

The availability of external funding will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.

Regard will be given to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.

Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.

Resources Available to Finance Capital Investment

The following diagram shows the main sources of funding which are available to the Council to finance its capital investment. Individual projects may be financed solely by one of these or by a combination of a number of them.

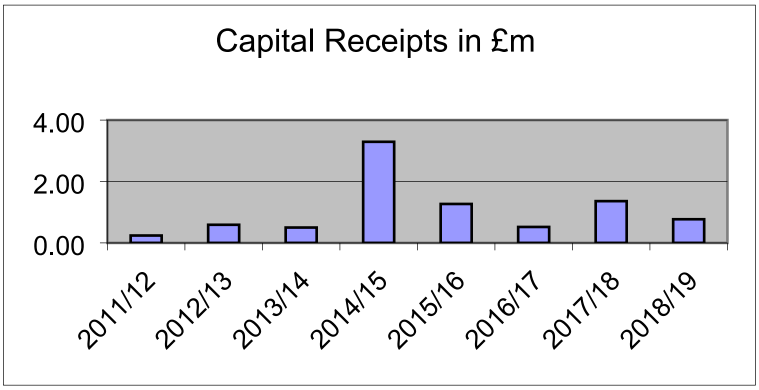
INTERNAL	**EXTERNAL**
Capital Receipts in Hand	Government Grants
Reserves	Other Grants, e.g. Heritage Lottery Fund
New Capital Receipts from Asset Sales	Contributions from Partners
Revenue Contributions	Other Contributions
	Borrowing

More details of these funding sources are given in the following paragraphs:

Capital Receipts have been the major source of funding for the Capital Programme in recent years. The amount of useable capital receipts in hand at 1 April 2018 was £2.2m. The majority of capital receipts are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.

A previously significant source of capital receipts has been the Council's continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation. However, Right to Buy sales have diminished from historically high levels, both because of the present depressed property market and there being fewer potential purchasers as time goes by. Future sales income is projected to be in the range of £0.3m to £0.7m per annum.

Capital receipts from sales of land and property (including covenant release payments) have been relatively modest in recent times.



The Asset Management Strategy sets out expected sales over the next ten years. It is anticipated that receipts from sales will increase in the medium term, enabling some increase in financing of capital investment from this source. The Assets Review Group meets on a bi-monthly basis and is responsible for the formulation of strategies in respect of income generation relating to asset disposals.

The ICT Development Fund is specifically earmarked for meeting the costs of ICT development, both capital and revenue. The balance on the Fund at 1 April 2018 was £0.067m. This balance is fully committed to financing projects included in the current ICT Development Programme plus certain ongoing revenue costs. Accordingly, the revenue budget provides for an annual contribution of £0.05m to be made to the Fund in order to replenish it. There are no other reserves currently available to finance capital investment.

The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At current investment interest rates of around 0.5%, every £100,000 of such capital receipts or reserve balances used will cost £500 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme 2017/18 to 2018/19 was taken account of in the Medium Term Financial Strategy and in the 2018/19 Revenue Budget. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.

Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment.

Wherever possible and appropriate, funding will be sought towards the cost of capital projects from external parties. These will include property developers, central government and government agencies, funding bodies such as the National Lottery or the Football Foundation and partner organisations that may join with the Council to bring forward particular projects of mutual benefit. In the current climate, however, the Council may find such sources of funding to be limited.

As a result of changes to the treatment of business rates collected by councils (as implemented by the Local Government Finance Act 2012), which allow part of the amount collected to be retained by them, a Stoke on Trent and Staffordshire Business Rates Pool has been established to pool retained rates relating to a number of Staffordshire authorities, including Newcastle Borough Council. This has benefits with regard to maximising the total amount retained, with the additional amount gained by pooling being available to participating authorities in a number of ways. One of the features of the pooling arrangement is the establishment of an investment fund to finance projects which will contribute to economic regeneration within the areas of the participating authorities.

The Council is presently debt free, having no long term loans outstanding. Its current policy, expressed in its Treasury Management Strategy for 2018/19, approved by Council on 21 February 2018, is:

"Previously borrowing has not been used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure. There will be a requirement to fund some capital expenditure by means of borrowing during the interim period before a permanent means of finance becomes available, for example whilst awaiting a capital receipt. Projections of the need for capital investment in projects necessary to ensure operational continuity over the next few years, together with projections of likely capital receipts arising from asset sales and the availability of reserves to finance this expenditure indicate that there will be an adverse gap between expenditure and resources to finance it. This increases the likelihood of borrowing being used, particularly as an interim measure to bridge the gap between expenditure being incurred and funds from asset sales being realised."

The capital investment programme set out in Annex B will require a significant amount of borrowing if it is to be carried out in its entirety.

There is no intention to charge any capital investment directly to the General Fund Revenue Account.

The Council does not presently intend to consider the use of Private Finance Initiative type arrangements or tax increment financing to meet the cost of capital investment.

The Executive Director (Resources and Support Services) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. She will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Executive Director as to availability and the consequences and costs of use of the various options.

The need to have available liquid funds to be used to pay for capital projects will be considered when drawing up the Council's Treasury Management Strategy. An appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

Revenue Implications

The impact, if any, upon the General Fund Revenue Account, which will arise from capital investment proposals will be calculated and considered at the time projects are placed before Cabinet or Full Council for inclusion in the Approved Capital Programme or for specific approval. Such impact may be in the form of reduced interest receipts, where projects are to be financed from capital receipts or reserves, borrowing costs, if loan finance is to be employed, or additional running costs arising from the provision of a new or altered facility. Offset against these costs will be any savings which might accrue, for example from "invest to save" projects.

The Council will always have regard to the affordability of its proposed capital investments, in terms of the revenue implications arising.

The revenue implications of the capital programme will be taken account of in the Council's Medium Term Financial Strategy.

Appraisal and Prioritisation of Investment Proposals

In accordance with the Council's Financial Regulations proposals for new capital investment estimated to cost more than £20,000 will be subject to an appraisal process, whereby a business case will be made out for the proposal, considering its contribution towards meeting corporate objectives and service priorities, its outputs and milestones, its cost and sources of and its effect, if any, upon the revenue budget in future years. Less significant projects costing below £20,000 will be subject to a simplified process. All new capital investment proposals must be considered by the Capital Programme Review Group prior to specific Cabinet approval being requested. Before any project may be commenced Specific Cabinet approval must be obtained and the project will only be included in the approved Capital Programme, after considering its priority relative to other proposed projects and the overall level of resources available to fund the Capital Programme as a whole.

It is intended to develop the project prioritisation process further during 2019/20 in order to provide a robust, transparent and impartial basis for determining the relative merits of individual projects proposed for inclusion in the capital programme. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.

A Risk Assessment, in the approved corporate format, will be completed for capital projects over £20,000.

Monitoring Arrangements and Project Management

Progress in relation to individual projects will be monitored through the Council's arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Programme Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the Executive Director (Resources and Support Services) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects.

All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost.

Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.

All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them.

All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

Statutory Framework

The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex A sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.

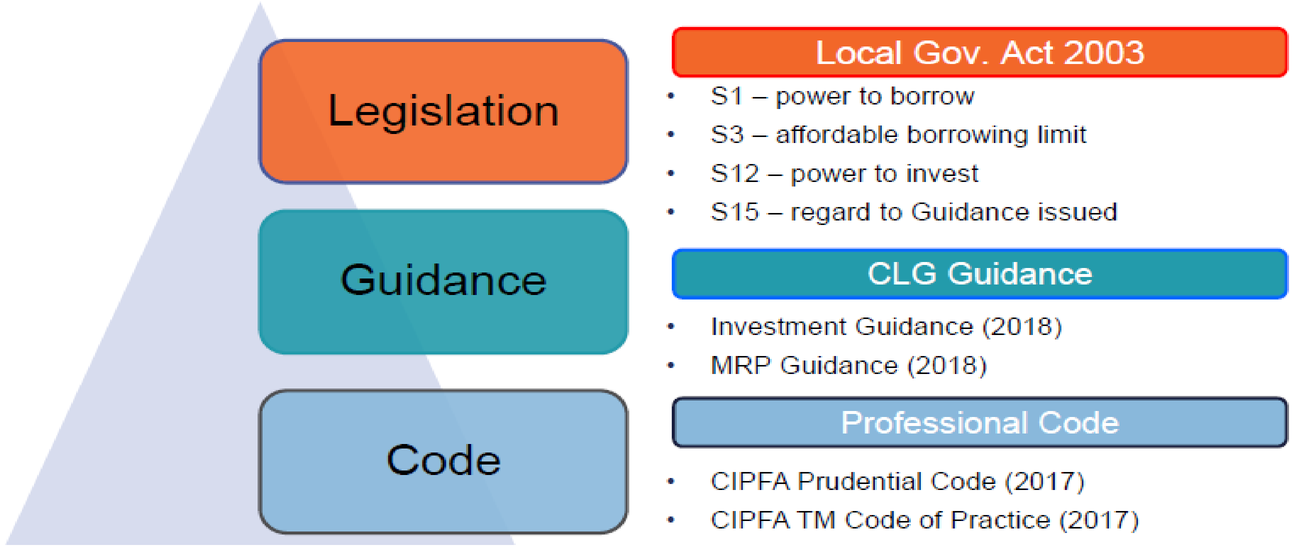
It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.

The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.

Capital Finance Regulations stipulate that amounts of less than £10,000 may not be treated as capital receipts. Accordingly, any such sums received, although otherwise capital in nature will be credited to a revenue account.

The Council will consider the flexible use of capital receipts as announced by the Chancellor of the Exchequer in the 2015 Spending Review. The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects to allow local authorities to deliver more efficient and sustainable services. The Flexible Use of Capital Receipts Strategy provide further details.

Legal and Regulatory Requirements



Prudential Indicators

The Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the Council's overall fiscal sustainability. The Council's prudential indicators are as follows:-

- Estimates of capital expenditure

  The Council will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years.

- Actual capital expenditure

  After the year end, the actual capital expenditure incurred during the financial year will be recorded.

- Estimates of capital financing requirement

  The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years.

- Actual capital financing requirement

  After the year end, the actual capital financing requirement will be calculated directly from the Council's balance sheet.

- Ratio of financing costs to net revenue streams

  This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

- Authorised limit on external borrowing

  The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

- Operational boundary for external debt

  This indicator refers to the means by which the authority manages its external debt to ensure it remains within the statutory authorised limit. It differs from the authorised limit in as far as it is based on the most likely scenario, in terms of capital spend and financing during the year.

- Gross debt and capital financing requirement

  This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

  Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Procurement

Regard will be given to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.

Where estimated project contract costs exceed the relevant statutory threshold, the appropriate EU or other tendering procedures will be followed.

Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.

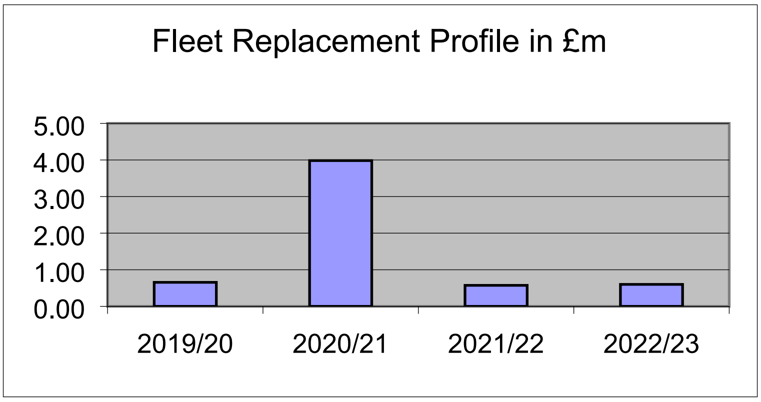
The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

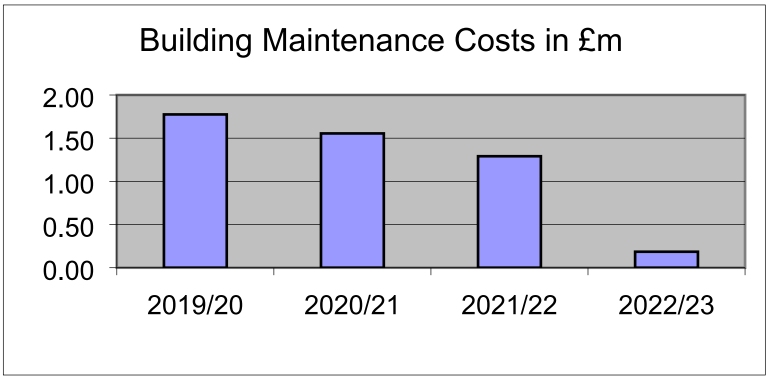
Future Capital Programme

Capital investment needs have been assessed over a ten year period (2019/20 to 2028/29) and are set out in Annex B.

During this period, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.

The following charts illustrate the scale of expenditure which the Council will need to fund over the next few years, in respect of fleet replacement, where existing items reach the end of their allotted life and in respect of operational building maintenance works, based on stock condition surveys carried out.





It may be possible to extend the lives of some of the vehicles, if they are in a fit condition when their replacement date is reached. Similarly some of the maintenance/improvement works to the Council's operational properties may be capable of being deferred; periodic stock condition surveys will inform any decisions in this regard. Additionally, some properties may be deemed surplus to operational requirements and eligible for disposal in their current condition.

In addition to the essential works outlined above, there are significant amounts of expenditure which need to be incurred:

- in respect of the commercial portfolio in order to keep properties in a state of repair such as to continue to obtain a reasonable rental income

- to maintain various engineering structures such as walls, bridges, drains, and reservoirs to ensure safety to the public

- to enable agreed actions in relation to approved policies and strategies to be progressed and to meet other Council commitments

Over the period 2019/20 to 2028/29 it is estimated that £8.2m (commercial properties), £2.4m (engineering structures) and £67.8m (in respect of policy and strategy commitments or similar) need to be spent.

Funding will depend on capital receipts from asset sales. Reports concerning proposed asset sales were considered and recommendations approved by the Cabinet on 19 September 2018. There will be insufficient capital receipts arising from these planned sales to meet all of the costs of the investment programme. Accordingly, it is estimated that around £18.54m of expenditure will have to be funded from borrowing over the ten year period. There will be a consequent cost to the revenue budget which will have to be included in the MTFS projections. Based on the expenditure shown in Annex B and forecasts of the amount and timing of receipts and current capital financing costs, the additional costs to the revenue budget will be around £5.90m in total with the costs in each year 2019/20 to 2028/29 being as shown below.

	£m
2019/20	0.00
2020/21	0.00
2021/22	0.00
2022/23	0.05
2023/24	0.46
2024/25	0.88
2025/26	1.00
2026/27	1.00
2027/28	1.00
2028/29	1.02
Total	5.41

A capital programme for 2019/20 to 2021/22 totalling £18.99m will be recommended to Full Council on 20 February 2019, consistent with the detail shown in Annex B.

Funding for 2019/20 expenditure is likely to be available from the following sources:

- Further capital receipts from asset sales

- Right to Buy capital receipts

- Government grants

- Other external contributions

All of the above funding sources are likely to be limited so the programme only includes affordable projects.

As described earlier, current estimates of the amount required to be invested in projects to ensure continued service delivery and meet commitments compared with forecasts of likely receipts from asset sales and other available resources indicate that there will be insufficient resources available to fund all of these requirements. If forecast receipts from sales of assets cannot be achieved within this timeframe, the Council may have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.

It is not intended to borrow to fund the 2019/20 programme, provided forecast sales occur and realise the projected capital receipts however it is anticipated that prudential borrowing will be required to fund the capital projects in 2020/21 and 2021/22.

Annex A

DEFINITION OF CAPITAL EXPENDITURE INCLUDED IN THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

All expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer-term intangible benefits is accounted for on an accruals basis and capitalised as a non-current asset. It must be probable that the future economic benefits or service potential associated with the item will flow to the Council - the Council does not have to own the item but it must be more than likely that it has gained the right to use the item in the provision of services or to generate cash from it. In addition it must be possible to measure the cost of the item reliably.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels

In this context, the definition of enhancement contained in the previous Code of Practice (SORP) is still applicable and means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purpose or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Expenditure on existing fixed assets should be capitalised in three circumstances:

- Enhancement - see above
- Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored
- Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation

Assets acquired on terms meeting the definition of a finance lease should be capitalised and included together with a liability to pay future rentals.

Where an asset is acquired for other than cash consideration or where payment is deferred the asset should be recognised and included in the balance sheet at fair value.

Annex B

2019/20 to 2028/29 Capital Programme

CAPITAL PROJECTS	2019/20 to 2028/29 Proposed Programme										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£	£	£	£	£	£	£	£	£	£	£
PRIORITY - Local Services that work for Local People											
Service Area - Council Modernisation	195,000	320,000	486,000	90,000	102,000	15,000	528,000	40,000	29,000	15,000	1,820,000
Total	**195,000**	**320,000**	**486,000**	**90,000**	**102,000**	**15,000**	**528,000**	**40,000**	**29,000**	**15,000**	**1,820,000**
PRIORITY - Growing our People and Places											
Service Area - Housing Improvements	1,075,000	1,080,000	1,130,000	2,565,000	3,125,000	3,175,000	4,275,000	4,475,000	6,500,000	7,125,000	34,525,000
Service Area - Managing Property & Assets	437,456	82,359	101,500	410,846	14,922	2,135	2,804	0	216,174	273,525	1,541,721
Total	**1,512,456**	**1,162,359**	**1,231,500**	**2,975,846**	**3,139,922**	**3,177,135**	**4,277,804**	**4,475,000**	**6,716,174**	**7,398,525**	**36,066,721**
PRIORITY - A Healthy, Active and Safe Borough											
Service Area - Environmental Health	0	10,000	0	0	60,000	0	12,000	0	0	0	82,000
Service Area – Streetscene/Bereavement	355,000	470,600	945,600	1,240,600	990,600	735,600	220,600	165,600	95,600	55,600	5,275,400
Service Area - Recycling and Fleet	666,000	3,983,000	573,500	600,000	600,000	1,420,000	700,000	600,000	2,385,000	600,000	12,127,500
Service Area - Leisure	546,000	681,000	331,000	1,187,000	2,017,000	7,017,000	650,000	0	0	0	12,429,000
Service Area - Museum	30,000	140,000	240,000	40,000	0	0	0	0	0	0	450,000
Service Area - Managing Property & Assets	387,463	49,035	40,456	273,403	220,498	89,622	819,395	215,754	219,340	329,716	2,644,682
Service Area - Engineering	172,215	15,873	170,193	806,287	1,287,105	0	0	0	0	0	2,451,672
Total	**2,156,678**	**5,349,508**	**2,300,749**	**4,147,290**	**5,175,202**	**9,262,222**	**2,401,995**	**981,354**	**2,699,940**	**985,316**	**35,460,255**
PRIORITY - A Town Centre for All											
Service Area - Managing Property & Assets	652,165	1,519,428	1,106,383	77,126	179,250	16,800	140,920	155,198	161,229	61,777	4,070,275
Total	**652,165**	**1,519,428**	**1,106,383**	**77,126**	**179,250**	**16,800**	**140,920**	**155,198**	**161,229**	**61,777**	**4,070,275**
CONTINGENCY	1,000,000	0	0	0	0	0	0	0	0	0	**1,000,000**
TOTAL	**5,516,298**	**8,351,295**	**5,124,631**	**7,290,262**	**8,596,374**	**12,471,157**	**7,348,719**	**5,651,552**	**9,606,343**	**8,460,619**	**78,417,251**
FUNDING											
Capital Receipts	3,508,298	3,927,295	1,836,132	500,000	500,000	8,000,000	6,273,719	4,596,552	8,562,343	5,067,387	**42,771,726**
External Contributions	1,335,000	2,065,000	2,765,000	1,015,000	1,025,000	1,015,000	1,025,000	1,015,000	1,015,000	1,025,000	**13,300,000**
ICT Development Fund	117,000	50,000	50,000	50,000	50,000	15,000	50,000	40,000	29,000	15,000	**466,000**
Leasing of Vehicles	556,000	2,309,000	473,500								**3,338,500**
Borrowing				5,725,262	7,021,374	3,441,157				2,353,232	**18,541,026**
TOTAL	**5,516,298**	**8,351,295**	**5,124,632**	**7,290,262**	**8,596,374**	**12,471,157**	**7,348,719**	**5,651,552**	**9,606,343**	**8,460,619**	**78,417,252**

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL

16 January 2019

1. INVESTMENT STRATEGY 2019/20

Submitted by: **Executive Director – Resources and Support Services**

Portfolio: **Finance and Efficiency**

Ward(s) affected: **All Indirectly**

Purpose of the Report

To approve the Investment Strategy for 2019/20 for presentation to Full council for final approval.

Recommendations

(a) That the Investment Strategy Report for 2019/20 be approved for submission to Full Council's final approval.

Reasons

The Council needs to have an approved Investment Strategy for 2019/20 in place before the start of the 2019/20 financial year.

1. **Background**

1.1 This strategy is compiled according to the Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2. **Issues**

2.1 The Investment Strategy for 2019/20 is attached at Appendix 1.

2.2 This investment strategy is a new strategy for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018

2.3 The Strategy is based on guidance provided by Arlingclose Ltd, the Council's treasury management advisors.

2.4 Quantitative investment indicators are included within the Strategy to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

2.5 This Strategy is part of several strategies including the Council's Capital Strategy and Treasury Management Strategy.

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the strategy report.

5. **Major Risks**

5.1 Investments are a major area of risk for the Council in that large amounts of money can be involved.

5.2 The overriding consideration is to safeguard the Council's capital. Within this constraint the aim is to maximise any return.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

6.1 Appendix 1, Investment Strategy Report 2019/20.

7. **Background Papers**

- Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments;
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2017);
- Council's Treasury Management Strategy 2019/20;
- Council's Capital Strategy 2019/20;
- Local Government Act 2003; and
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

NEWCASTLE UNDER LYME
BOROUGH COUNCIL

Investment Strategy
2019/20

Contents

Introduction

This strategy is compiled according to the Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Guidance distinguishes between Treasury Management Investments and Other Investments. Treasury Management Investments are those which arise from the Council's cash flows and debt management activity and ultimately represent balances which need to be invested until the cash is required for use in the course of business. Other Investments are all those falling outside of normal treasury management activity, as defined above. They may be made with the express purpose of making a financial surplus for the Council, usually as a means towards balancing the revenue budget. They may be funded from borrowing where appropriate. The prime example referred to in the Guidance is direct investment in property assets. Loans, for example to voluntary organisations, local enterprises or joint ventures are also classified as Other Investments.

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

This investment strategy is a new strategy for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Possible Revisions to the Strategy

The initial strategy may be replaced with a revised strategy at any time during the year in cases where any treasury management issues (including investment issues) need to be brought to the attention of Full Council.

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £0m and £10m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: During 2018/19 the Council has not lent money to local charities, housing associations or any other bodies. However the Council would consider applications from such bodies individually, in order to support local public services and stimulate local economic growth.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Loans for service purposes in £ thousands

Category of borrower	**31/03/2018 Actual**			**2019/20**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Local charities	0	0	0	500
Housing associations	0	0	0	500
Other bodies	0	0	0	500
TOTAL	**0**	**0**	**0**	**1,500**

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans on an individual basis for each proposal. The risks inherent in the proposal will be reported to members when it is placed before them for consideration together with an assessment of the likelihood of any of them materialising, their impact on the revenue budget and the mitigating controls that will be put in place. Risk factors to be assessed include:

- barriers to entry into and exit out of the market concerned;
- the nature and level of competition;
- how the market and customer needs will evolve over time;
- ongoing need for further investment to be made; and
- whether there is sufficient internal capacity to assess the business case and risks relating to the proposal.

An initial review of each proposal will be carried out by Council officers, intended to determine whether there are any risks apparent at that stage which indicate that the proposal should not be proceeded with. Provided this is not the case and it has also been determined that there is a worthwhile business case for further consideration, a more detailed risk assessment will be carried out. Where necessary, owing to lack of internal expertise, external advisors may be used to assist with the assessment of appropriate risks. Any other appropriate sources of information may be used to assess and monitor risk, including credit ratings, if these are relevant. Data used to monitor ongoing risk will be reviewed regularly and appropriate action will be taken if there are any indications of increasing risk or risks materialising.

The Council will consider the following points:

- the degree to which the loan complies with corporate policies and furthers corporate objectives;
- the overall desirability of the activity which the loan is intended to fund;
- affordability in terms of the use of capital or other resources and impact on the revenue budget;
- the likelihood that the loan will be repaid in accordance with agreed terms; and
- the total amount of loans already made to ensure that as a whole the Council is not over-exposed to the risk of default.

All proposed loans will be subject to approval by members, normally via Full Council, following consideration of a report setting out all relevant matters, including compliance with the above criteria.

All loans will be subject to credit control arrangements to recover overdue repayments. Credit risk will be determined by reference to the "expected credit loss" model for loans and receivables as set out in International Reporting Standard (IFRS) 9 Financial Instruments.

Service Investments: Shares

Contribution: The Council currently does not invest in the shares of suppliers and local businesses in order to support local public services and stimulate local economic growth. This is due to the nature of the risks associated with investing in shares i.e. they are volatile and may fall in value meaning that the initial outlay may not be recovered. If the Council was to consider investing in shares, then in order to limit the risk, upper limits on the sum invested in each category of shares would need to be set.

Shares held for service purposes in £ thousands

Category of company	**31/03/2018 actual**			**2019/20**
	Amounts invested	**Gains or losses**	**Value in accounts**	**Approved Limit**
Suppliers	0	0	0	250
Local businesses	0	0	0	250
TOTAL	**0**	**0**	**0**	**500**

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

If the Council were to consider placing funds in any other type of investment which would be categorised as Non-Specified, the security of the capital sum would be the paramount concern. The same requirements as to credit ratings relating to Specified Investments will apply, and in appropriate cases the advice of the Council's treasury management advisors will be sought.

Commercial Investments: Property

Contribution: The Council invests in local commercial property with the intention of making a profit that will be spent on local public services. These are held primarily to earn income to be used to support the revenue budget although in some cases there may also be a contribution towards the economic wellbeing of the Borough.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

The majority of the investment property portfolio was acquired some time ago and there is no debt associated with any of the properties and the initial investment costs have been recouped many years ago. Investment properties are valued at fair value. The values of the properties will fluctuate according to market conditions prevailing from time to time, however these fluctuations do not constitute losses of capital invested. The value of investment properties included in the Council's balance sheet as at 31 March 2018 is £17.835m.

If there are any new commercial investments funded from borrowing, their value will be monitored to determine whether it is sufficient to act as security for the capital invested and outstanding borrowing. If there is a significant fall in value then this will be reported to members.

Risk assessment: There are risks associated with making and holding commercial investments which require assessment and management.

With regard to the Council's current portfolio of commercial investments, comprising investment properties, the main risk is of not achieving the budgeted amount of income or of expenditure exceeding budgeted amounts. These risks are assessed and provided for via the assessment of the appropriate amount to hold in reserve in General Fund Balances. If the result of the assessment shows that current levels are inadequate, the necessary additional contribution will be made via inclusion in the Medium Term Financial Strategy.

With regard to consideration of proposed new commercial investment there will be additional risks to be assessed and taken account of. The degree of control which the Council has over the materialisation of these risks and its ability to mitigate them should they arise will be important considerations. In most, if not all, cases the Council will be operating in a competitive environment and possibly one which it is not experienced in operating within, all of which increases the level of risk.

A comprehensive risk assessment, taking account of all appropriate factors, will be carried out on an individual basis for each investment proposal. The risks inherent in the proposal will be reported to members when it is placed before them for consideration together with an assessment of the likelihood of any of them materialising, their impact on the revenue budget and otherwise and available mitigation measures. Risk factors to be assessed include:

- barriers to entry into and exit out of the market concerned;
- the nature and level of competition;
- how the market and customer needs will evolve over time;
- ongoing need for further investment to be made, for example to adapt investment property or repair defects or carry out cyclical maintenance; and

- whether there is sufficient internal capacity to assess the business case and risks relating to the proposal.

An initial review of each proposed investment will be carried out by Council officers, intended to determine whether there are any risks apparent at that stage which indicate that the proposal should not be proceeded with. Provided this is not the case and it has also been determined that there is a worthwhile business case for further consideration of the investment, a more detailed risk assessment will be carried out. Where necessary, owing to lack of internal expertise, external advisors may be used to assist with the assessment of appropriate risks. Any other appropriate sources of information may be used to assess and monitor risk, including credit ratings, if these are relevant. Data used to monitor ongoing risk will be reviewed regularly and appropriate action will be taken if there are any indications of increasing risk or risks materialising.

An independent review shall be undertaken by external investment property advisors on the Council's existing commercial property portfolio. The recommendations from this review will be actioned where necessary.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. There is no outstanding borrowing in relation to the current portfolio so any sales proceeds would be available in full to support capital investment.

In the case of any future commercial property investments, the likely degree of liquidity will be a consideration in deciding whether to make the investment.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. To date, the Council is not contractually committed to make any loans.

Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.

Net investment property income is subject to fluctuation according to market conditions and other factors such as bad debts and unforeseen expenditure. Accordingly the possibility of shortfalls in contribution towards the revenue budget from this source is one of the factors specifically taken into consideration in calculating the level of General Fund balance to be held as a contingency against adverse budget variances. Currently a total of £1.200m is held in balances to cover this and other risks and can be drawn upon in the event of risks materialising.

It is not planned to vary the amount of investment property held in the short term. However, in accordance with the Asset Management Strategy, all such property will be kept under review to determine whether the return obtained justifies retention and there may be instances where it is decided to dispose of property to obtain a capital receipt. The net contribution made towards balancing the revenue budget and the options for replacing any significant loss of income will be one of the factors taken into account when determining whether or not to dispose of a property.

Borrowing in Advance of Need

The Prudential Code for Capital Finance in Local Authorities (2017) issued by CIPFA states that local authorities should not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. This is repeated in the Statutory Investment Guidance issued by the Ministry of Housing, Communities and Local Government.

The reasons for making an investment are unlikely to be purely in order to make a profit since investments may also be made with the intention of furthering corporate aims or service objectives, such as economic regeneration.

Accordingly, borrowing will be permitted in respect of Other Investments. The Council will consider each proposal to borrow on its merits. As well as the corporate or service benefits due regard will be given to the financial impact upon the revenue budget in terms of capital financing costs.

All borrowing will be subject to approval by members, normally via Full Council, following consideration of a report setting out all relevant matters, including those referred to above.

Capacity, Skills and Culture

Council members and staff involved in dealing with Other Investments will have regard to the provisions of the CIPFA Prudential Code and the regulatory regime within which local authorities operate when carrying out these functions.

Investment in commercial property is a specialist area and the Council does not presently have sufficient skills and knowledge in house to effectively appraise investment proposals or to negotiate with third parties or manage certain types of investment on an ongoing basis. Accordingly, it will be necessary to supplement internal resources with external advice, commissioned on a case by case basis and where asset management is required external managers may need to be employed, particularly if investment is made in residential property.

Decisions to make Other Investments and the means of financing them will be subject to member approval. This will normally be by Full Council (but may be by Cabinet where permitted by the Council’s Constitution). Members will consider a report setting out all matters relevant to the making of an investment before making a decision. The normal scrutiny and call-in arrangements will apply.

The Investment Strategy will be approved by Full Council.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Gross and Net Income - Historic and Current Year

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate
	£'000	£'000	£'000	£'000
Commercial Properties				
Gross Income	1,259	1,294	1,327	1,004
Gross Expenditure	(571)	(749)	(871)	(649)
Net Income	**688**	**545**	**456**	**356**
Net Service Expenditure (Whole Council)	(6,235)	(6,510)	(6,776)	(7,010)
Ratio of Net Income to Net Service Expenditure	**11.03%**	**8.37%**	**6.73%**	**5.08%**

Gross and Net Income - Over Period of Approved Medium Term Financial Strategy 2019/20 to 2023/24 – Based on 2% increase on 2018/19

	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000
Gross Income	1024	1045	1065	1087	1108
Gross Expenditure	(662)	(675)	(689)	(702)	(717)
Net Income	**362**	**369**	**377**	**384**	**392**

Vacancy Levels

2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Target
%	%	%	%
7.3	8.3	7.7	12.0

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