*Please note the amended public question time arrangements for this meeting

Rossendale BOROUGH COUNCIL

Meeting of: The Cabinet

***Owing to the social distancing requirements of Covid-19, public meetings which normally take place in the Council Chamber will be conducted via Zoom.**

Time: 6.30pm **Date** 10th February 2021

Join Zoom Meeting (please allow time for set up if accessing for the first time):
https://zoom.us/j/97110557785?pwd=N212bTJRSWEwSnByK3l0UG5EL0c4dz09

Meeting ID: 971 1055 7785
Passcode: 398240

Please note that a waiting room will be in place for the Zoom meeting and public and other Councillors will be admitted to the meeting shortly before 6.30pm.

To join by phone or mobile:
Dial 0208 080 6591 then when prompted enter the ID number followed by # e.g. 971 1055 7785#
When prompted confirm with another # To mute and unmute yourself press *6
(Alternate dial in number: 0208 080 6592)

Supported by: Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423
Email: glendaashton@rossendalebc.gov.uk

ITEM		Lead Member/Contact Officer
A.	**BUSINESS MATTERS**	
A1.	**Apologies for Absence**	Clare Birtwistle, Monitoring Officer 01706 252438 clarebirtwistle@rossendalebc.gov.uk
A2.	**Minutes of the last meeting** To approve and sign as a correct record the Minutes of the meeting held on 1st December 2020.	
A3.	**Urgent Items of Business** To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency.	
A4.	**Declarations of Interest** *Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.* Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	
B.	**COMMUNITY ENGAGEMENT**	
B1.	**Public Question Time** Members of the public can register their	

ITEM		Lead Member/Contact Officer
	question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson. This is an opportunity to ask a question about an agenda matter which the Council may be able to assist with. A time limit applies for each question and you are only able to address the meeting once. To register for public question time your question must be received no later than 9.00am two working days prior to the day of the meeting by emailing democracy@rossendalebc.gov.uk Please give your full name, telephone number and include a copy of your question. At the meeting you will be invited to speak at the appropriate time, please begin by giving your name and state whether you are speaking as an individual member of the public, or as a representative of a group. (Question time normally lasts up to 30 minutes).	Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk Please register an agenda related public question by emailing democracy@rossendalebc.gov.uk no later than 9.00am Friday 5th February 2021
C.	**PERFORMANCE MATTERS**	
C1.	Financial Monitoring Report Q3 2020/21	Councillor Walmsley/Karen Spencer Head of Finance/S151 Officer 01706 252409 karenspencer@rossendalebc.gov.uk
C2.	Corporate Priorities, Budget, Council Tax and the Medium Term Financial Strategy 2021/22	Councillor Walmsley/Karen Spencer Head of Finance/S151 Officer 01706 252409 karenspencer@rossendalebc.gov.uk
C3.	Capital Strategy 2021/22 to 2024/25 and Capital Programme 2021/22	Councillor Walmsley/Karen Spencer Head of Finance/S151 Officer 01706 252409 karenspencer@rossendalebc.gov.uk
C4.	Treasury Management Strategy & Treasury Management Practices (updates for 2021/22)	Councillor Walmsley/Karen Spencer Head of Finance/S151 Officer 01706 252409 karenspencer@rossendalebc.gov.uk

Neil Shaw
Chief Executive

Date Published: 2nd February 2021

MINUTES OF: **THE CABINET**

Date of Meeting: **Tuesday 1st December 2020**

Present: **Councillor A Barnes (Chair)**
Councillors Hughes, Lythgoe, Oakes, Serridge and Walmsley

In Attendance: **Mr N Shaw, Chief Executive**
Mrs C Burns, Director of Economic Development
Mr A Allen, Director of Communities
Ms C Birtwistle, Head of Legal (Monitoring Officer)
Ms K Spencer, Head of Finance (S151 Officer)
Mr G Darragh, Economic Development Manager
Mrs J Wood, Committee and Member Services Officer
Miss G Ashton, Committee and Member Services Officer

Also Present: **Councillors Aldred, Haworth, Pendlebury, Morris, Neal and Steen**
2 members of public

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1. APOLOGIES FOR ABSENCE
There were no apologies for absence.

2. MINUTES OF THE LAST MEETING

Resolved:
That the minutes of the meeting held on 7th October 2020 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS
There were no urgent items.

4. DECLARATIONS OF INTEREST
There were no declarations of interest.

5. PUBLIC QUESTION TIME
No written questions had been submitted.

6. FINANCIAL MONITORING REPORT 2020/21 Q1 & Q2
The Portfolio Holder for Resources outlined the report which asked members to note the current adverse variance in the Council's revenue budget and the actions to address this before year end.

In response to questions raised it was noted that:
- Costs relating to the Local Plan were not recoverable.
- Further grants had been requested, extra money required to help out businesses.

Resolved:
1. Cabinet noted the current adverse variance in the Council's revenue budget and the actions to address this before year end.

Reason for Decision:
For the robust monitoring of the General Fund and MTFS which is essential for controlling

risks.

Alternative Options Considered:
None.

7. ANNUAL AIR QUALITY REPORT 2020

The Portfolio Holder for Communities outlined the report which asked members to note the content in relation to the Annual Air Quality Report.

In response to questions raised it was noted that:

- The Council was being more proactive with tree planting in the area.
- Clarification was provided on locations of improvement.

Resolved:

1. Cabinet noted the content of the report in relation to the Annual Air Quality Report.

Reason for Decision:
The improvement in air quality is an integral part of the Council's Climate Change Strategy and actions to reduce the Council's carbon footprint will have a subsequent beneficial impact on the quality of the air that we breath.

Alternative Options Considered:
None.

8. THE WHITAKER PROGRESS UPDATE AND HERITAGE FUND UPLIFT

The Leader of the Council and Portfolio Holder for Economic Development outlined the report which asked members to note the project progress and National Lottery Fund uplift grant application. It also asked members to authorise the Director of Economic Development in consultation with the Head of Legal (Monitoring Officer), Head of Finance and Portfolio Holder to enter into a grant funding agreement for the extra Heritage Fund uplift of c. £250k.

In response to a question raised it was noted that:

- Other sources of funding were being explored by the Whitaker. A significant funding bid of £130k had been successful.

Resolved:

1. Cabinet noted the project progress and National Lottery Heritage Fund uplift grant application.
2. Authorised the Director of Economic Development in consultation with the Head of Legal (Monitoring Officer), Head of Finance and Portfolio Holder to enter into a grant funding agreement for the extra Heritage Fund uplift of c. £250k.

Reason for Decision:
By securing an uplift in funding from the Heritage Fund, the project will add value back into the scheme and improve visitor facilities in line with best practice and government / public health guidelines.

Alternative Options Considered:
None.

9. EMPTY HOMES PROJECT BUDGET

The Leader of the Council outlined the report which asked members to approve a revenue increase to the Empty Homes project budget for 2020/21 of £650k, increasing the in-year revenue budget to £950k, funded from the transitional budgetary support reserve.

In response to questions raised it was noted that:

- Claims from property owners had increased; costs would be retrieved where possible.
- The Police investigation was ongoing and an update was provided.
- Costs had been incurred when tenants had caused considerable damage to properties.
- Clarification was provided on the total cost of the project so far.
- It was confirmed that robust mechanisms had been put in place to prevent this happening again.

Resolved:

1. Cabinet approved a revenue increase to the Empty Homes project budget for 2020/21 of £650k, increasing the in-year revenue budget to £950k, funded from the transitional budgetary support reserve.

Reason for Decision:
The Council has made a provision of £300k in the Medium Term Financial Strategy for 2020/21 for the project. The project team monitor the cost and have projected the future costs of the project, to year end. This totals an anticipated £950k. The Council will work hard to minimise on-going and future costs associated with the project. Whilst it is more able to do this in relation to future discussions related to repairs and rental payments, it is much more restricted in its ability to mitigate costs associated with historic legal claims.

Alternative Options Considered:
None.

10. DISPOSAL OF THE FORMER LIBERAL CLUB

The Portfolio Holder for Resources outlined the report which asked members to authorise the disposal of the former Liberal Club (Lord Street, Rawtenstall), terms to be delegated to the Director of Economic Development in consultation with the Portfolio Holder. To approve the award of the disposal of the former Liberal Club to Bidder 1 and authorise a legal covenant to be placed on the building, terms of which to be delegated to the Director of Economic Development in consultation with the Portfolio Holder.

In response to questions raised it was noted that:

- There would be Capital gain from the disposal of the former Liberal Club.
- There had been no further discussion with RTB regarding the development of the property.

Resolved:

1. Cabinet approved the disposal of The Former Liberal Club (Lord Street, Rawtenstall) and the terms were delegated to the Director of Economic Development in consultation with the Portfolio Holder.
2. Cabinet approved the award of the disposal of The Former Liberal Club to Bidder 1.
3. Cabinet authorised a legal covenant be placed on the building, terms of which were delegated to the Director of Economic Development in consultation with the Portfolio Holder.

Reason for Decision:
The Former Liberal Club is an underused asset that will require future Council investment if it remains out of use. A disposal of the asset will provide an opportunity for an underutilised building to be developed and will provide a capital receipt to the council and add benefit to the local area.

Alternative Options Considered:
None.

The meeting commenced at 6.30pm and concluded at 7.30pm

________________________________ CHAIR ________________________________ DATE

Rossendale BOROUGH COUNCIL

ITEM NO. C1

Subject:	Financial Monitoring Report 2020/21 Q3			**Status:**	For Publication		
Report to:	Cabinet			**Date:**	10th February 2021		
Report of:	Finance Manager			**Portfolio Holder:**	Resources		
Key Decision:	☐	Forward Plan	☒	General Exception ☐		Special Urgency ☐	
Equality Impact Assessment:		Required:		No	Attached:	No	
Biodiversity Impact Assessment		Required:		No	Attached:	No	
Contact Officer:	Adil Ahmed			**Telephone:**	01706 252467		
Email:	adilahmed@rossendalebc.gov.uk						

1.	**RECOMMENDATION** **That Members note the current adverse variance in the Council's revenue budget and the actions to address this before year-end.**

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update members on the budget progress at the Quarter 3 point of 2020/21, compared to the original budget set back in February 2020.

3. BACKGROUND

The full 2020/21 Q3 Monitoring Report is attached to the report as Appendix 1.

4. 2020/21 QUARTER 3 REVENUE BUDGET

4.1 This third monitoring report of the financial year 2020/21 is showing an expected unfavourable variance of £260k, compared to the original budget of £9,006k. The Council is working hard to address this unfavourable variance within the scope of its ability to control expenditure. The most notable changes so far are shown in the table on page 5 of the report (Appendix 1). The main changes in Q3 being:

Favourable one-off variances

- Staff cost reductions are already forecasting a favourable £265k against the required £150k of vacancy savings, plus staff have bought £21k of additional leave.
- The Garden Waste service is projected to exceed budgeted income in 20-21 of £240k which was based upon c6,850 subscriptions. To date the Council has taken around 7,800 applications which will result in £273k in income for 20-21, leading to a favourable variance of £33k.
- Additional unbudgeted income of £147k from leasing the Rosso depot.
- A favourable forecast of £20k on the benefit subsidy including housing benefit bailiff fees.
- During Q3 the MHCLG has allowed the Council to claim grants for the loss of fees and income due to the Covid 19 pandemic. This is forecast to be a favourable variance of £189k.
- A saving of £19.4k on Internal Audit costs due to reduced Audit plan in place because of the pandemic.
- Estates income is showing a favourable variance of £118.3k.

Adverse one-off variances

- Vehicle maintenance costs and temporary vehicle hires are projected to overspend by £108k mainly due to works to older fleet vehicles. Any delays in completing the vehicle replacement plan from 19-20 will generate further savings on the MRP line.

- Income is down in the trade waste, markets, cemeteries, taxis licencing, local land charges, planning applications and court costs. This is mainly due to the Covid pandemic. It is estimated the shortfall equates to c£190k at the end of Q2, the majority of this is due to lost court cost income. There may be an opportunity to recoup some of this lost income through the Governments sales, fees and charges income compensation scheme.
- The Empty Homes revenue costs forecast have reduced from £455k in Q2 to £339k in Q3. This is however £39k over and above the £300k included in the original budget. The capital costs of the scheme are shown separately on page 25.
- Interest income forecast has fallen to £3.8k, an adverse variance of £72.6k from Q1.

4.2 Favourable recurring variances which will impact upon the MTFS. Favourable grant income on the Service Assurance Team is already at £98k but most of this will be used to fund service/systems changes required by Government changes.

4.3 Adverse recurring variances which will impact upon the MTFS. Local Land Charges income has seen a drop in recent years and this adverse £15.6k is consistent with the experience in previous years.

5. EARMARKED RESERVES

5.1 The total cash-backed Earmarked Reserves brought forward at 1st April 2020 were £7,452k. The opening balance on the Transitional Reserve was £1,730k, to which £302k of New Homes Bonus grant will be added. Any adverse variance at year end on the General Fund will be funded from the Transitional Reserve, along with the predicted £59k deficit on the Council Tax Collection Fund, currently leaving a net balance of £1,388k after the planned MTFS support at the end of 20-21.

5.2 The Business Rates Retention Reserve reflects the in-year variances discussed in detail on page 28 (Appendix 1), including the renewable energy income of £173k and the budgeted s31 grants of £1,563k. Funding for the 20-21 budget included the application of £686k from this reserve.

5.3 The Planning Reserve is expected to be required to support £154k of costs in relation to the current Local Plan, leaving £78k to fund further costs beyond 20-21. In Q3 a new earmarked reserve was set up for the Rawtenstall Bus Station. Rossendale Borough Council received £517k from LCC for the commuted sum for ongoing maintenance.

5.4 The closing balance at the 31st March 2021 is now predicted to be £6,609k, but planned usage, particularly of the Transitional Reserve through the life of the MTFS, will reduce this to £4,085k by March 2025.

6. GOVERNMENT GRANTS UNAPPLIED

6.1 The opening value of Government Grants Unapplied at the 1st April 2020 was £1,285k, including £1,184k of Disabled Facilities Grant (DFG) carried forward into 2020/21 which relates to previous years' slippage. The original allocation of Better Care funding for DFGs in 2020/21 was £1,022k. The allocation has now been confirmed as £1,022k, giving total resources available of £2,206k

6.2 The Homelessness grant of £53k and the Domestic Abuse and Hoarding Grants are due to be spent in 2020/21.

7. IMPACT OF COVID

7.1 The Council received £19.08m to provide grant support to businesses, the scheme closed on 30th September with the Council having paid £16.78m to local businesses. It is anticipated that the remaining £2.30m will be required to be repaid to Central Government. The Council also received £734k of Hardship Funding from the Government to provide additional support for all residents currently on the Council Tax support scheme (previously council tax benefit) as at 31st December c£605k has been allocated.

7.2 In addition, the Council has received £1,408k towards additional costs and lost income as a result of the Covid pandemic. As at 31st December £446k has been allocated. The Council is due to receive further Covid related Government funding in Q4.

8. OTHER ISSUES

8.1 Staff Monitoring

The table on page 20 shows the cash saved on salaries between April and Dec was £162k. This is made up of around £147k from general staff turnover and vacancies, plus £15k from additional leave purchased by staff in the first 9 months of the year.

8.2 Treasury and Cash Management

At the end of December, the bank balances were £17,469k, up from the Q2 balance of £8,367k. These resources now reflect more normal cash flow patterns in comparison to the effects that capital programme funding and spending decisions had on recent years. Due to the pandemic banking institutions have continued to reduce interest rates. With the uncertainty around income and Covid-19 response requirements, Council officers have maintained access to instant funds. Consequently, the interest income forecast has reduced to just £3.8k.

8.3 Debt Monitoring

Of the £2,151k sundry debts raised in 2019/20 the collection rate has now risen to 98.5% with the remaining debt at £36k. Of the £2,815k of debt raised in 2020/21 so far, £400k has not been collected or is being collected monthly on instalment plans. The downturn in the collection rate from 55 to 78 days can be explained by the affect the coronavirus has had on local businesses.

The provision for doubtful debt at the 1st of April was £162.6k, plus a further £5.4k set aside for licensing debt, against £244k of doubtful debts. Officers have considered both the general impairment rate and some specific older debts which are being pursued through the courts. Given that £26k of the current debts are recorded on the local land charges register, officers still expect a further doubtful debt contribution of £20k. This will continue to be monitored in Q4.

8.4 Capital Resources and the Capital Programme

The Usable Capital Receipts brought forward at the 1st April totalled £2,733. Capital Grants due for projects in 2020/21 were expected to total £4,494k. This includes an allocation of £2,195k from the Better Care Fund in 2020/21 for Disabled Facilities Grants, as noted in Government Grants Unapplied, above.

The slippage being carried forward will be funded by £3,395k of grant. The Capital Receipts Reserve is expected to total £3,433k at the year-end.

The original Capital Programme for 2020/21 was £1,526k, including £1,000k for DFGs and £352k for replacement operational vehicles. The slippage from 2019/20 was

£5,573k, the bulk relating to Spinning Point, Operational vehicles and the DFGs. Additions to the programme have mainly been the Henrietta Street depot waste transfer refurbishment, Empty Homes Scheme renovation costs and the Victoria way storm damage.

The revised capital programme for 2020/21 is £10,162k.

8.5 Section 106 Agreements
The tables on page 26 of Appendix 1 show the current s106 agreements in force which are available for council projects, with the balance of funds and any deadline dates. The value of s106 agreements brought forward on the 1st April was £904.1k. To the end of December £58.1k of new s106 charges have been received and invoices issued for a further £342k.

8.6 Quite predictably collection rates are lower compared to this time last year. Whilst Business Rates have caught up since Q2 to 3.22% up, Council Tax collections have continued to lag behind 2019/20 moving from 1.72% down at Q2 to 2.42% by the end of December.

The Council Tax account is showing an early overall predicted deficit of £59k (after factoring in the Hardship Fund) for Rossendale whilst maintaining the expected doubtful debt contribution of £300k. Court Cost income has yet to begin, so officers have reduced the income giving an adverse variance of £300k on page 6.

The Lancashire Pool has now reverted to retaining 50% of business rates locally. The Government issues S31 Grants to compensate authorities for income lost when central relief decisions are made. This year decisions made in response to the pandemic have had an extraordinary effect on the Collection Fund, reducing the potential income by just over 50%

Under the current regulations S31 grants cannot be accounted for in the Collection Fund. Secretary of State direction would be needed for this to happen, therefore we are awaiting Government guidance as to how to proceed. In the tables on page 28 officers have taken a prudent view and anticipated that much of the additional funds received will be used to offset the overall deficit.

9. RISK

All the issues raised and the recommendation in this report involve risk considerations as set out below.

9.1 Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues and opportunities and in particular service department net expenditure.

9.2 Budget setting for future years is now treated as an integral part of financial monitoring during the current year and the impact of variances being reported here will be considered by officers when preparing the detailed 21-22 budget.

9.3 The Council must explore ways of bridging its forecast annual funding gap. Amongst other things this may include becoming more commercially aware, aiming to grow its resources alongside the challenges to its cost base. The sustainability of the MTFS is a risk in the corporate risk register and this is actively monitored.

9.4 Any continued austerity planning by Government resulting in a further reduction of central government resources, the local retention of 50% of the business rates for 2020/21, the Fair Funding review and any potential implications of Brexit and Covid. Both the Fair Funding review and a new national scheme for the local retention of business rates have been further postponed until April 2022.

9.5 The Covid pandemic is having a significant negative impact on the Council's finances, in particular the Collection Fund. Based on current information it is highly likely that the impact will extend into 2021/22 and possibly beyond. The situation continues to be closely monitored.

10. FINANCE

10.1 Financial matters are noted in the report attached.

11. LEGAL

11.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

12. POLICY AND EQUALITIES IMPLICATIONS

12.1 Unless specifically commented upon within the report, there are no implications for consideration. Staffing issues have been discussed with colleagues in the People & Policy section.

13. CONCLUSIONS

13.1 Robust monitoring of the General Fund and MTFS is essential to control risks expressed in section 9, above. Despite a continued cost reduction programme, the challenge remains for the Council to continue its efficiency and income generation agenda in order to realise its medium term saving and efficiency targets. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

Within the scope of what the Council has the power to control budgets are being effectively managed. However, some expenditure/loss of income is either very difficult to control (such as the Empty Homes project) or beyond our control (such as the impact of the Covid pandemic).

Background Papers	
Document	Place of Inspection
Service monitoring statements.	Financial Services.
2021/22 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy.	RBC website - Full Council 26/02/2020
Financial Monitoring Report 2020/21 Q3	RBC website – Cabinet 10/02/2021

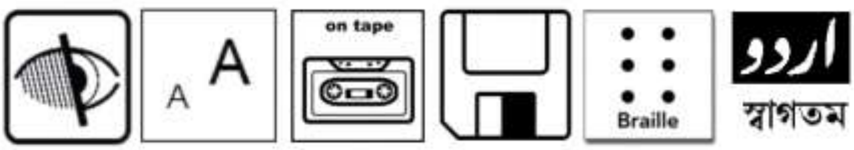
Appendix 1

Rossendale
BOROUGH COUNCIL

Financial Monitoring Report

2020/21 Q3 as at end of December 2020

Including a Glossary of terms on page 29



Monthly Financial Monitoring Report 2020/21 Q3 December 2020

General Fund Revenue Operations – pages 4 to 17

This Q3 report on the General Fund for 2020/21 is showing a decrease in the adverse variance from £536k to £260k compared to the original budget of £9,006k. This adverse variance will be funded from the Transitional Reserve at the year-end.

Earmarked Revenue Reserves – page 18 to 19

The total cash-backed Earmarked Reserves brought forward at 1st April 2020 were £7,452k

The opening balance on the Transitional Reserve was £1,730k, to which £302k of New Homes Bonus grant will be added. The draft adverse variance on the General Fund of £260k will be funded from the Transitional Reserve, along with the predicted £59k deficit on the Council Tax Collection Fund, leaving a net balance of £1,388k after the planned MTFS support at the end of 20/21.

The Business Rates Retention Reserve reflects the in-year variances discussed in detail on page 28, including the renewable energy income of £173k and the budgeted S31 grants of £1,563k. Funding for the 2020/21 budget included the application of £686k from this reserve.

The Planning Reserve is expected to be required to support £182k of costs in relation to the current Local Plan, leaving £51k to fund further costs beyond 2021/22.

In Q3 a new earmarked reserve was set up for the Rawtenstall Bus Station. Rossendale Borough Council received £517k from LCC for the commuted sum for ongoing maintenance.

The closing balance at the 31st March 2021 is now predicted to be £6,609k, but planned usage, particularly of the Transitional Reserve through the life of the MTFS, will reduce this to £4,085k by March 2025.

Government Grants Unapplied – page 20

The opening value of Government Grants Unapplied at the 1st April 2020 was £1,285k, including £1,184k of Disabled Facilities Grant carried forward into 2020/21 which relates to previous years slippage. The original allocation of Better Care funding for DFGs in 2020/21 was £1,022k. The allocation has now been confirmed as £1,022k, giving total resources available of £2,206k

Covid 19 - The Council received £19.08m to provide grant support to businesses, the scheme closed on 30th September with the Council having paid £16.78m to local businesses. It is anticipated that the remaining £2.30m will be required to be repaid to Central Government. The Council also received £734k of Hardship Funding from the Government to provide additional support for all residents currently on the council tax support scheme (previously council tax benefit) as at 31st December c£605k has been allocated.

In addition, the Council has received £1,219k (£38k in 2019/20) towards additional costs and lost income as a result of the Covid pandemic, as at 31st December £470k has been allocated. Any underspend at year end will be placed in an earmarked reserve for use next financial year.

Staff Monitoring – page 20

The table on page 20 shows the cash saved on salaries between April and Dec was £162k. This is made up of around £147k from general staff turnover and vacancies, plus £15k from additional leave purchased by staff in the first 9 months of the year.

Treasury & Cash Management - page 25 to 27

At the end of December, the bank balances were £17,469k, up from the Q2 balance of £8,367k. These resources are higher than normal due to the level of covid related Government grants being received for distribution to businesses. Due to the pandemic banking institutions have continued to reduce interest rates. With the uncertainty around income and Covid-19 response requirements, and interest rate levels across the board, Council officers have in the main retained funds in instant access accounts. Consequently, the interest income forecast has reduced to just £3.8k

Of the £2,151k sundry debts raised in 2019/20 the collection rate has now risen to 98.5% with the remaining debt at £36k. Of the £2,815k of debt raised in 2020/21 so far, £400k has not been collected or is being collected monthly on instalment plans. The downturn in the collection rate from 55 to 78 days can be explained by the affect the coronavirus has had on local businesses.

The provision for doubtful debt at the 1st of April was £162.6k, plus a further £5.4k set aside for licensing debt, against £244k of doubtful debts. Officers have considered both the general impairment rate and some specific older debts which are being pursued through the courts. Given that £26k of the current debts are recorded on the local land charges register, officers still expect a further doubtful debt contribution of £20k. This will continue to be monitored in Q4.

Capital Receipts – page 24

The Usable Capital Receipts brought forward at the 1st April totalled £2,733.

Capital Grants due for projects in 2020/21 were expected to total £4,494k. This includes an allocation of £2,195k from the Better Care Fund in 2020/21 for Disabled Facilities Grants, as noted in Government Grants Unapplied above.

The slippage being carried forward will be funded by £3,395k of grant. The Capital Receipts Reserve is expected to total £3,433k at the year-end.

Capital Programme and Funding – page 25 to 26

The original Capital Programme for 2020/21 was £1,526k, including £1,000k for DFGs and £352k for replacement operational vehicles. The slippage from 2019/20 was £5,573k, the bulk relating to Spinning Point, Operational vehicles and the DFGs. Additions to the programme have been Futures Park Plot 1 and Infrastructure, repayment of the Spinning Point LEP grant, the Henrietta Street depot waste transfer refurbishment, Empty Homes Scheme renovation costs and the Victoria way storm damage.

The revised capital programme for 2020/21 is £10,162k

Collection Fund 2020/21 (Council Tax & NNDR) - page 27 to 28

Quite predictably collection rates are lower compared to this time last year. Business Rates is estimated to be c25 less than last year, Council Tax collections also continue to lag behind 2019/20 moving from 1.72% down at Q2 to 2.42% by the end of December.

The Council Tax account is showing an overall predicted deficit of £59k (after factoring in the Hardship Fund) for Rossendale whilst maintaining the expected doubtful debt contribution of £300k. Court Cost income has yet to begin, so officers have reduced the income giving an adverse variance of £300k on page 6.

The Lancashire Pool has now reverted to retaining 50% of business rates locally. The Government issues S31 Grants to compensate authorities for income lost when central relief decisions are made. This year decisions made in response to the pandemic have had an extraordinary effect on the Collection Fund, reducing the potential income by just over 50%

Under the current regulations S31 grants cannot be accounted for in the Collection Fund. Secretary of State direction would be needed for this to happen, therefore we are awaiting Government guidance as to how to proceed. In the tables on page 28 officers have taken a prudent view and anticipated that much of the additional funds received will be used to offset the overall deficit.

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

General Fund Summary - Period 9 (Quarter 3)

Service Area	2020/21 Org Budget £000	2020/21 Forecast £000	2020/21 Variance (Adv)/Fav £000	Variance last reported £000	Change in Qtr 2 (Adv)/Fav £000
Communities Directorate					
Customer Services and E-Government	1,424.8	1,734.3	(309.5)	(199.8)	(109.7)
Operational Functions	2,219.3	2,295.7	(76.4)	(70.8)	(5.6)
Communities	707.6	663.8	43.7	30.7	13.1
Public Protection Unit	157.8	159.3	(1.5)	0.9	(2.4)
Environmental Health	140.5	85.8	54.7	22.6	32.1
Licensing & Enforcement	123.0	120.1	2.8	(0.1)	3.0
Housing	202.6	133.5	69.1	66.6	2.5
Economic Development Directorate					
Planning Services	308.7	308.3	0.5	16.9	(16.5)
Building Control Services	(8.6)	8.4	(17.1)	(15.4)	(1.7)
Regeneration	406.1	373.7	32.4	15.4	17.0
Property Services	493.7	506.0	(12.3)	(15.2)	2.9
Corporate Management Directorate					
Corporate Management	467.0	470.1	(3.1)	(3.7)	0.6
Legal Services	176.3	179.9	(3.6)	(1.1)	(2.5)
Local Land Charges	(20.1)	(4.5)	(15.6)	(14.7)	(0.9)
Democratic Services	582.7	558.7	24.0	18.3	5.6
Financial Services	503.9	490.9	13.0	(3.7)	16.7
People and Policy	590.0	565.1	24.9	6.9	18.0
Non Distributed Costs	113.6	62.7	50.9	(138.5)	189.4
Capital Financing and Interest	417.2	553.8	(136.6)	(251.9)	115.3
TOTAL Service Cost	9,006.02	9,265.6	(259.6)	(536.4)	276.8
LESS **Use of Earmarked Reserves**					
Retained Business Rates Reserve	(686.0)	(686.0)	-	-	-
Transitional Budgetary Reserve	-	(259.6)	259.6	536.4	(276.8)
LESS **Use of New Homes Bonus Grant**	(302.0)	(302.0)	-	-	-
Net Service Cost	**8,018.0**	**8,018.0**	**-**	**-**	**-**

The Q3 report for 2020/21 is showing a predicted adverse variance of £260k.
The main variances so far are shown in the table opposite and these include: -

- Staff cost reductions are forecasting a favourable £265.4k against the required £150k of vacancy savings, plus staff have bought £20.5k of additional leave.
- Members should be aware that to date there have been no court sessions and it appears there will be none this financial year, so court cost income has been pulled back from £300k at Q1 and £100k at Q2 to nil at Q3. An adverse variance of £300k. However the Council is able to claim c75% of its 2020/21 irrecoverable Fees & Charges income losses due to Covid from Government. This is estimated to be £189k overall and is included within non-distributed costs on page 18.
- Vehicle Maintenance costs and temporary vehicle hires are projected to overspend by £108k mainly due to expected works to older fleet vehicles. Any delays in completing the vehicle replacement plan from 19-20 will generate further savings on the MRP line.
- Empty Homes revenue costs forecast have reduced from £455k in Q2 to £339k in Q3. This is £39k over and above the £300k included in the original budget. However in December 2020 the Cabinet approved a 2020/21 £950k budget increase in to the scheme. The capital costs of the scheme are shown separately on page 25.
- Income is down in the trade waste, markets, cemeteries, taxis and local land charges, and planning applications. During Q3 the MHCLG has allowed the Council to claim

grants for the loss of fees and income due to the Covid 19 pandemic. This is forecast to be a favourable variance of £189k.

- Interest income forecast has fallen to £3.8k an adverse variance of £72.6k.

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Annual Variances	Q1 Fav/(Adv)	Q2 Fav/(Adv)	Q3 Fav/(Adv)	Total Fav/(Adv)	
Customer Services and e-Government					
Staff costs	2.7	(2.8)	(1.4)	(1.5)	
Housing Benefits subsidy	2.3	-	-	2.3	
Housing Benefit Local Council Tax support grant	(4.0)	-	-	(4.0)	
Housing Benefit bailiff fees	18.3	-	-	18.3	
Court costs recovered (net of bad debt provision)	(20.0)	(200.0)	(100.0)	(320.0)	
Business Rates - net costs of collection	2.4	-	1.0	3.4	
Central IT Costs	5.8	-	(5.8)	(0.0)	
Other minor variances	(0.3)	(4.2)	(3.5)	(8.0)	(309.5)
Operations					
Staff costs (including agency and overtime)	94.9	25.1	31.3	151.3	
Fuel	-	(8.0)	(2.0)	(10.0)	
Vehicle maintenance incl hire of temporary vehicles	(41.1)	(72.9)	6.2	(107.8)	
General parks and street sweep running costs	(4.3)	(16.7)	4.6	(16.4)	
Garden Waste Income	17.0	14.6	1.4	33.0	
Markets Income & Running expenses	(0.7)	-	(1.4)	(2.1)	
Trade Waste & Bulks Net income	(24.6)	(25.0)	(12.0)	(61.6)	
Cemeteries Net income	(6.6)	3.5	(21.6)	(24.7)	
Other minor variances	(4.9)	9.6	0.9	5.6	(32.7)
Public Protection					
Staff costs	56.0	3.8	(5.8)	54.0	
Environmental Health administration expenses	41.2	-	-	41.2	
Strategic Housing, Housing Options and Private Ren.	29.6	(37.1)	-	(7.5)	
Extra Income for Enforcement within Environmental Health from MHCLG	-	-	37.0	37.0	
Hackney income	(11.8)	-	-	(11.8)	
Private hire income	(13.0)	-	-	(13.0)	
Other Licensing income/costs	19.6	-	-	19.6	
Other minor variances	1.7	-	4.0	5.7	125.2
Economic Development					
Staff costs (net of grant & fee income)	53.5	3.2	(18.0)	38.7	
Planning Application Fee Income	11.3	10.2	(14.3)	7.2	
Planning Consultancy Professional fees	(31.9)	(11.2)	(5.3)	(48.4)	
Building Control Fee Income	(26.5)	8.7	(2.4)	(20.2)	
Economic development admin costs and Markets	(8.3)	-	18.5	10.2	
Childrens Partnership Board Grant income	-	-	7.5	7.5	
Other Property Running costs	6.1	(12.6)	(9.8)	(16.3)	
Spinning Point bus station	(53.9)	(5.3)	(20.2)	(79.4)	
Estates Income (Excluding Town Hall, Futures Park, Knowsley Depot)	(17.8)	-	(1.0)	(18.8)	
Town Hall income	59.5	-	-	59.5	
Futures Park Plot 5	(0.8)	(73.0)	73.3	(0.5)	
MRP charge for Futures Park Plot 5	(68.9)	-	-	(68.9)	
Knowsley Rd Depot	109.9	39.5	(2.4)	147.0	
Business Centre rentals	7.3	-	(4.6)	2.7	
Insurance	-	-	(25.5)	(25.5)	
Other minor variances	5.8	(3.1)	6.0	8.7	3.5
Corporate Management					
Staff costs	16.2	(7.9)	14.7	23.0	
Professional Fees / Reference Books	5.3	(0.7)	(1.7)	2.9	
Democratic Services and Member costs	11.5	-	-	11.5	
Internal Audit - LCC reduced Audit Plan 20/21	(1.4)	-	20.8	19.4	
Land Charges income	(12.4)	(2.2)	(0.9)	(15.5)	
Corporate Subscriptions	(4.5)	-	-	(4.5)	
Other minor variances	0.4	(2.2)	4.6	2.8	39.6
Non-Distributed Costs & Capital Financing					
Original staff savings target (actuals now above)	(150.0)	-	-	(150.0)	
Purchase of additional leave	20.0	-	0.5	20.5	
Historical pension commitments	11.2	-	-	11.2	
Interest	(24.7)	(73.8)	1.2	(97.3)	
Doubtful Debt Provision	(20.0)	-	-	(20.0)	
Empty Homes Recovery Scheme costs	-	(155.0)	115.8	(39.2)	
Loss of fees and income re Covid grant from MHCLG	-	-	189.1	189.1	
Other minor variances	1.0	1.0	(2.0)	0.0	(85.7)
Favourable/(adverse) variance	**58.1**	**-594.5**	**276.7**	**-259.6**	**-259.6**

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Communities Directorate

Period 9 (Dec)

Customer Services & ICT	**2020/21 Org Budget £000**	**2020/21 Forecast £000**	**2020/21 Variance (Adv)/Fav £000**	**Variance last reported £000**	**Change in Qtr1 (Adv)/Fav £000**
Customer Services					
Benefits Adminstration	(246.3)	(258.1)	11.8	11.8	-
Benefits Granted	(23.7)	(25.4)	1.7	1.7	-
Local Tax Collection	(378.6)	(60.1)	(318.5)	(219.5)	(99.0)
Revenues & Benefits Partnership	1,171.0	1,170.2	0.8	0.1	0.7
Strategic Functions					
Management and Support	74.5	74.7	(0.2)	(0.3)	0.1
Service Assurance Team	127.5	125.1	2.4	2.4	-
Central Telephones	5.2	9.0	(3.8)	(0.3)	(3.5)
Central Printing	3.9	3.9	-	-	-
ICT Support	621.0	624.0	(3.0)	5.0	(8.0)
Leisure Services	71.0	71.0	-	-	-
Pest Control	(0.7)	-	(0.7)	(0.7)	-
Total	**1,424.8**	**1,734.3**	**(309.5)**	**(199.8)**	**(109.7)**

Key changes made during the period to the full year forecast	**Variance Bfwd £000**	**Variance this Qtr £000**	**Full-Yr Forecast £000**	**R A G**
Staff	(0.1)	(1.4)	(1.5)	
Housing Benefit administration grant	-	-	-	
Housing Benefit Subsidy (net grant position)	2.3	-	2.3	
Housing Benefit Local Councilt Tax support grant	(4.0)	-	(4.0)	
Housing Benefit bailiff fees	18.3	-	18.3	
Revenues & Benefits administration contract	0.0	0.1	0.1	
CTax & BRates - court costs (net of bad debt provision)	(220.0)	(100.0)	(320.0)	
Business Rates - net costs of collection	2.4	1.0	3.4	
Renewable Energy Business Rates income	173.0	-	173.0	
Business Rates S31 Grants	5,737.0	-	5,737.0	
Business Rates transfer to Retained Business Rates Reserve	(5,910.0)	-	(5,910.0)	
SAT Team counter fraud work	0.1	(0.1)	-	
SAT Team Grants received (incl Universal Credit)	98.9	-	98.9	
SAT Team additional costs (incl Universal Credit) funded by grants	(98.9)	-	(98.9)	
Central IT Costs	5.8	(5.8)	(0.0)	
Switchboard internet telephony costs	(0.3)	(3.5)	(3.8)	
Other minor variances	(4.3)	-	(4.3)	
TOTAL	**(199.8)**	**(109.7)**	**(309.5)**	

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Customer Service & ICT Highlight Report – Q3 (end Dec 2020)

Historic Issues

- None.

Current Quarter's Issues

At Q3 the forecast adverse variance has increased from £199.8k to £309.5k adverse, the main changes being: -

- A favourable forecast of £20.6k on the benefit subsidy at Q3 is mainly due to a saving of £18.3k on housing benefit bailiff fees, this is because bailiff activity was put on hold throughout quarter one. It is expected that there will be a rise in housing subsidy claims as a result of Covid, this continues to be closely monitored.
- In terms of business rates, the renewable energy income of £173k and budgeted S31 grants will be transferred into the Retained Business Rates Earmarked Reserve
- Central Government gives authorities Section 31 grants to cover small business reliefs and other government-backed schemes. In the NNDR1 estimate those grants totalled £1,292k, but the total level of additional reliefs given mean grant is likely to be £6,402k. Officers have presumed that the £5,110k additional grant will be used to compensate the net liability due on the Collection Fund (see page 28)
- Members should be aware that to date there have been no court sessions and it appears they will not resume this financial year, so court cost income has been pulled back from £300k at Q1 and £100k at Q2 to nil at Q3. An adverse variance of £300k. The Council has put a temporary hold on pursuing both NNDR and Council Tax debt, however the Courts are currently closed. This budget is expected to show a shortfall at year end.
- The Service Assurance Team has received new burdens and Universal Credit introduction grants of £99k so far, but officers are currently assuming that all of these grants will be used to fund additional work of software changes or administration either in 2020/21 or the beginning of 2021/22, so the net variance being predicted is £nil.
- During the year there has been an increase in the cost of internet telephony costs for the Switchboard which has created an adverse variance of £3.8k

Future Issues

- None

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Communities Directorate

Period 9 (Dec)

Operations & Communities	**2020/21 Org Budget £000**	**2020/21 Forecast £000**	**2020/21 Variance (Adv)/Fav £000**	**Variance last reported £000**	**Change in Qtr (Adv)/Fav £000**
Operational Functions					
Operations Admin & Vehicle Maintenance	344.9	275.9	69.0	65.9	3.1
Refuse & Recycling	1,500.5	1,628.6	(128.1)	(115.3)	(12.8)
Street Sweeping	369.8	416.2	(46.4)	(49.2)	2.7
Markets	4.1	(25.0)	29.1	27.8	1.3
Communities					
Parks & Open Spaces	930.2	901.0	29.2	37.7	(8.6)
Cemeteries	(222.7)	(237.2)	14.6	(7.1)	21.6
Dog Warden	0.0	0.0	-	-	-
Total	**2,926.8**	**2,959.5**	**(32.7)**	(40.1)	**7.4**

Key changes made during the period to the full year forecast	**Variance Bfwd £000**	**Variance this Qtr £000**	**Full-Yr £000**	**RAG**
Vacancies at Operations Admin Offices	71.7	1.8	73.5	
Parks Salary Variances (Including temporary gardeners)	72.2	21.8	94.0	
Street Sweeping Salaries	5.3	(3.3)	2.0	
Refuse Salaries and Agency	(12.5)	(0.5)	(13.0)	
Fleet Management Vacancy and Agency	(23.1)	16.5	(6.6)	
Markets Salary Vacancies	26.6	-	26.6	
Overtime Budgets	(20.2)	(5.0)	(25.2)	
Vehicle Maintenance (including tyres/ parts)	(64.0)	6.2	(57.8)	
Vehicle Hire	(50.0)	-	(50.0)	
Actions re variances - MRP Savings on Vehicles	-	-	-	
Fuel	(8.0)	(2.0)	(10.0)	
Fleet Running Costs	(1.0)	-	(1.0)	
Extra Costs / Saving on Bags	(4.0)	-	(4.0)	
Fly Tipping Costs	(4.2)	-	(4.2)	
Garden Waste income	31.6	1.4	33.0	
General Garden Waste Expenditure	(3.4)	-	(3.4)	
Purchase of Equipment extra cost for Bin Cleaning Service	(10.0)	-	(10.0)	
Trade Waste Services credited due to Closure & COVID19	(25.0)	(12.0)	(37.0)	
Cemeteries Net income	-	(21.6)	(21.6)	
Cemeteries Contractor Costs	3.5	-	3.5	
Crematorium Feasibility Study	(6.6)	-	(6.6)	
Markets Income & Running expenses	(0.7)	(1.4)	(2.1)	
Parks & Open Spaces	(31.0)	4.6	(26.4)	
General other Park Running Costs	-	-	-	
Parks Income	10.0	-	10.0	
Other Variances	2.7	0.9	3.6	
TOTAL	**(40.1)**	**7.4**	**(32.7)**	

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Operations Highlight Report – Q3 (end of Dec 2020)

Historic Issues The vehicle replacement plan is in progress for 20-21. There will also be some additional maintenance and hire costs in the interim to keep services running.

Current Quarter Issues:

At the end of Q3 the Operations and Communities forecast shows an adverse variance of £33k which is a slight improvement from Q2 falling by £7k with the main movements being:

- Overall staffing costs including agency and overtime are projected to underspend by £151k. This is due to a number of vacancies at the start of the year totalling 7. During the year it is expected that 6 posts will be filled by March 2021. There is also a member of staff on maternity who will return. One post which has not yet been filled is the Head of Service position generating savings of £70k for the full year. There have been two posts dis-established which have also generated contributions to this underspend.
- Due to Covid19 the vehicle replacement plan lead times from raising the purchase order to delivery has increased to 8-10 Months. For the Workshop maintenance this will benefit the MRP line positively but will have a negative impact on the maintenance budget for running the older vehicles for a longer time period totalling an extra projected cost of £41k. Fuel cost pressure for 20-21 currently is within Refuse and is estimated that this may turn out to cost an extra £10k. Vehicle hire costs in 20-21 in line with the 3-year agreement will amount to £50k for the two leased vehicles on Street Sweep.
- The Garden Waste service is growing. The original budget for income in 20-21 is £240k based upon 6,857 subscriptions. To date officers have taken around 7,365 applications which has resulted in £273k in income for 2020/21, leading to a favourable variance of £33k.
- Within Refuse there has been additional pressure associated with Agency staff up to Month 9 of £37k. In Quarter 2 and 3 - It is found that there has been an increase on agency spend. This is due to an increase on bulky item collections. The budget for private contractors that was previously outsourced has been used against this spend.
- The new Bin Cleaning Service Trial on a targeted area of the Borough is ongoing and £10k has been invested in equipment.
- Also within Refuse the Trade Waste Sector has been significantly affected with COVID19 and Businesses having had to close, which has resulted in credit notes being raised against the service they would have received if they had been open. The Council took a decision to credit the Traders for charges at the start of the year for their Bulk Waste Containers which could cost up to £37k for the year.
- Within Parks there have been extra maintenance costs incurred on Parks of £12k.
- Cemeteries at the end of quarter three have exceeded income budgets due to an increase on internment fees and memorials totalling £22k. Cemeteries have completed the crematorium service -feasibility study that had cost a one off £6.6k.

Futures Issues

- Recycling Arrangements – RBC are currently in the process of creating the facility to transfer recycling material at the main operating depot which will allow these to be passed into the LCC network. This will ensure that the Council eliminates the risk of high disposal costs within these volatile markets. There will be some additional costs once the facility begins operating. However, due to Covid19 there has been delays with the project.
- Agency Costs – The Council will be looking at tendering for the provision of agency workers in 2020/21.
- Commercial Waste – The Council has now recruited the Commercial Waste Officer, with targets to boost the Council's commercial waste customer base. The increase in the number of customers will lead to the requirement of additional stock of commercial waste/recycling bins, but this should be recovered from additional revenue income.
- Vehicle Replacement Programme – The are two vehicles scheduled for 2020/21 which are A Luton Van and a Parks Vehicle that were outstanding from 19/20. There has also been an order raised for 4 Dennis Eagle Refuse Vehicles, however they will not be delivered until 2021/22.
- A feasibility exercise is under way regarding the roll out of the Bin Cleaning Service as mentioned above. A separate cost centre has been set up to monitor the success of the 3-month pilot.

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Communities Directorate

Period 9 (Dec)

Public Protection & Housing	2020/21 Org Budget £000	2020/21 Forecast £000	2020/21 Variance (Adv)/Fav £000	Variance last reported £000	Change in Qtr (Adv)/Fav £000
Public Protection Unit	157.8	159.3	(1.5)	0.9	(2.4)
Environmental Health	140.5	85.8	54.7	22.6	32.1
Licensing & Enforcement	123.0	120.1	2.8	(0.1)	3.0
Strategic Housing					
Housing Strategy	93.5	54.9	38.5	38.6	(0.1)
Private Sector Housing Renewals	0.8	1.9	(1.1)	(0.9)	(0.3)
Homelessness	108.3	76.6	31.7	28.8	2.9
Total	**623.9**	**498.7**	**125.2**	**90.0**	**35.2**

Key changes made during the period to the full year forecast	Variance Bfwd £000	Variance this Qtr £000	Full-Yr £000	RAG
Environmental Health - staffing and consultant	18.0	(3.1)	14.9	
Public Protection Unit - staffing and Direct Costs	2.1	(3.4)	(1.3)	
Housing Strategy - staffing	39.0	(0.1)	38.9	
Homelessness - staffing	0.3	0.8	1.1	
Licensing & Enforcement - staffing	0.4		0.4	
Environmental Health administration (Abandoned Vehicle)	(1.3)	-	(1.3)	
Homelessness - Extra Cost	-	2.9	2.9	
Funeral Fees	(6.0)	(1.0)	(7.0)	
Extra Income for Enforcement within Environmental Health from MHCLG	-	37.0	37.0	
Extra Income Received on Homelessness (Flexible Homelessness Grant)	24.5	-	24.5	
Extra Income on Administration Costs	8.0	-	8.0	
Extra Cost on Homelessness (Professional Fees)	(2.3)	-	(2.3)	
Bond Payments - (PCC Funded Homelessness - Ex Offenders)	7.1	-	7.1	
Other Variances	3.7	-	3.7	
Private Hire income & expenditure	(13.0)	-	(13.0)	
Hackney income & expenditure	(11.8)	-	(11.8)	
Taxi misc income	(3.5)	-	(3.5)	
Animal Licensing income	1.7	-	1.7	
Skills Test	0.7	-	0.7	
Computer Software costs	3.7	-	3.7	
Profesional Fees, DVLA checks, Translation services	7.6	-	7.6	
Office - General and stationery cost	6.7	-	6.7	
Other Variances	4.4	2.1	6.5	
TOTAL	**90.0**	**35.2**	**125.2**	

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Public Protection and Housing Highlight Report – Q3 (end December 2020)

Historic Issues

- Nothing reported

Current Quarter Issues

At the end of Q3 the Public Protection Unit and Housing Services budgets shows a favourable variance of £125.2k, with the main movements being: -

- There was a vacancy in Environmental Health that generated saving of £15k. The position has now been filled. Within PPU the Budget has been slightly exceeded by £1.5k.
- There is also currently a vacancy within Housing Strategy generating a full year saving £39k. A decision is required for the budget on this post as it is not a Statutory Duty.
- In Environmental Health administration under funeral fees there has been income generated of £7k.
- Within Housing Options for Homelessness there has been extra income received for the Flexible Homelessness Grant £23.1k.
- During Quarter 3 the Council has received some funding from the MHCLG for Enforcement £37k.

Licensing:

- The Licensing Salary costs are projecting to be within budget
- We have received a good amount income for the taxis in Q3 compared to the previous two quarters which has given us a favourable movement of £3k
- Professional fees, DVLA checks and translations services are projecting an under spend of £7.6k due to a slow decline in licenses issued. DVLA checks are now paid by the drivers therefore there will be no costs going forward.
- There are office cost savings of c£6.7k due to slow decline in licenses issued and home working

Future Issues

None

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Economic Development Directorate

Period 9 (Dec)

Economic Development & Regeneration Services	2020/21 Org Budget £000	2020/21 Forecast £000	2020/21 Variance (Adv)/Fav £000	Variance last reported £000	Change in Qtr (Adv)/Fav £000
Planning					
Development Control	157.8	179.6	(21.9)	(5.7)	(16.1)
Forward Planning	151.0	128.7	22.3	22.7	(0.3)
Building Control					-
Building Control - Fee Earning Account	(44.2)	(21.8)	(22.4)	(19.0)	(3.4)
Building Control - Statutory Function	31.5	31.5	0.1	0.1	(0.1)
Building Control - Street Signs	4.0	(1.3)	5.3	3.5	1.8
Regeneration					-
Regeneration Mangement	92.9	95.6	(2.7)	(1.2)	(1.5)
Economic Regeneration and Rawtenstall Market	139.8	104.6	35.2	16.6	18.5
Whitaker Park Museum	71.4	71.5	(0.0)	0.0	(0.0)
Tourisms	40.0	40.0	(0.0)	(0.0)	0.0
Area Forums	62.0	62.0	(0.0)	-	(0.0)
Property Services					-
Property Services Team	195.3	175.6	19.7	21.3	(1.7)
Corporate Estates	(171.2)	(229.5)	58.4	(5.8)	64.1
Non Domestic Estates	(117.4)	(110.0)	(7.5)	(4.6)	(2.8)
Office Accommodation	31.9	41.7	(9.8)	(1.2)	(8.7)
Operational Properties	358.2	348.1	10.1	14.6	(4.5)
Leisure Properties	54.0	53.2	0.8	9.3	(8.5)
Bus Shelters	10.0	93.5	(83.5)	(59.1)	(24.4)
Business Centre	133.0	133.3	(0.3)	10.3	(10.6)
Total	**1,199.9**	**1,196.4**	**3.5**	**1.8**	**1.7**

Key changes made during the period to the full year forecast	Variance Bfwd £000	Variance this Qtr £000	Full-Yr £000	RAG
Communities Staffing	(3.0)	(3.6)	(6.6)	
Economic Development staffing	20.0	(9.4)	10.6	
Planning / Forward Planning staffing	46.5	(1.0)	45.5	
Application of 20% additional income - Fixing our broken housing market	-	-	-	
Building Control staffing	2.0	(0.4)	1.6	
Property Services staffing	(3.2)	(1.1)	(4.3)	
Valuation Fees (Taylor Weaver)	(5.5)	(2.5)	(8.0)	
Economic development admin costs and Markets	(8.3)	18.5	10.2	
Communities	-	(1.5)	(1.5)	
Area Forums	-	-	-	
Whittaker Park Museum Utilities Costs	-	-	-	
Regeneration Childrens Partnership Board Grant	-	-	-	
Communities - Received the Childrens Partnership Funding		7.5	7.5	
Other Miscellaneous Variances	(1.6)	(2.0)	(3.6)	
Planning/Forward Planning Consultancy fees/ Legal fees	(48.1)	(5.3)	(53.4)	
Planning Application Fee Income (excluding additonal 20% broken housing market	21.5	(14.3)	7.2	
Building Control Fees	(22.8)	(2.4)	(25.2)	
Office savings	5.0	4.8	9.8	
Property Running Costs: Repairs & Maintenance	(0.9)	0.3	(0.6)	
Electricity, Gas & Water	(25.0)	3.7	(21.3)	
NNDR - excluding Spinning Point bus station	19.3	-	19.3	
Estates Income - old Town Hall (Together Homes)	59.5	-	59.5	
Estates Income - Futures Park Plot 5	(73.8)	73.3	(0.5)	
MRP charge for Futures Park Plot 5	(68.9)	-	(68.9)	
Estates Income - Knowsley Depot	149.4	(2.4)	147.0	
All other Estates income COVID)	(17.8)	(1.0)	(18.8)	
Land Drainage	-	(5.3)	(5.3)	
Spinning Point Bus Station running costs	(59.2)	(20.2)	(79.4)	
Boilers, Alarms, Cleaning across sites	-	(4.6)	(4.6)	
Business Centre rentals	7.3	(4.6)	2.7	
Business Centre running costs	3.5	(4.9)	(1.4)	
Victoria Way Storm damage costs to date	(9.7)	-	(9.7)	
Bus Shelters, Pool Car, Emergency Planning	10.7	(4.3)	6.4	
Insurance Premium	-	(25.2)	(25.2)	
Other Miscellaneous Variances	4.9	9.6	14.5	
TOTAL	**1.8**	**1.6**	**3.4**	

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Economic Development & Regeneration Highlight Report – Q3 (end December 2020)

Historic Issues

- COVID - Small businesses were given a 3 month 50% rent reduction with a resulting loss of rent of £17.8k, this will be funded by the Covid funding received from Government.

Current Quarter Issues

Economic Development and Regeneration are currently forecasting a favourable variance of £32.4k, which is broken down as detailed below: -

- Staff have returned fully to Regeneration and Partnership from their secondments to the Bacup 2040 project. Within Economic Development there has been a number of movements between the staff and projects along with the temporary reduction in hours to 0.60 of a member of staff who has come back from maternity on a phased return. This has been offset with a Market Supplement Award for the Manager. The remaining staff saving help to cover an extra cost for Professional Fees on the Futures Park Study £1.1k. and Spinning Point £1k.
- Currently the Council are collecting the Market Rentals for Rawtenstall which has generated £42k. This in turn is helping to cover for extra costs incurred over and above the existing budget which was £12k.

Property Services is currently showing an adverse variance of £12.3k

- Salary costs are showing an adverse variance of £4.3. A new post has been created within Property funded by the increased income the post will generate.
- Property running costs are showing an adverse variance of £2.6k. This has moved favourably by £4k. This excludes Business Rates at Spinning Point
- Estates income is showing a favourable variance of £118.3k. Futures Park plot 5 tenant has been granted a reduced rental income until November. Knowsley Road Depot is has now been sold.
- Spinning Point bus station is running at a cost of £79.4k includes Electric, R&M, Business Rates, Cleaning. This has increase in this quarter due to the cost of cleaning being higher than expected

Planning and Building Control are showing a favourable variance of £0.5k

- Salary costs are showing a saving of £53.4k Conservation Officer Post has been disestablished and external specialists appointed to provide advise as needed
- Planning consultancy/professional fees are likely to over spend by £48.2k in part relating to point above and using the expertise of external sources
- Planning / Building Control income is underachieving by £18k in part due to COVID

Future Issues

Officers are reviewing the Whittaker Museum utilities budget overspend, working with the museum to draw up a commercial lease and separate funding agreement.

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Corporate Services Directorate

Period 9 (Dec)

Corporate Management	2020/21 Org Budget £000	2020/21 Forecast £000	2020/21 Variance (Adv)/Fav £000	Variance last reported £000	Change in Qtr (Adv)/Fav £000
Corporate Management					
Executive Office	352.9	351.3	1.6	1.0	0.6
Corporate Contingency	50.0	50.0	-	-	-
Exec Support & Corporate Subscriptions	64.1	68.8	(4.7)	(4.7)	-
Community Safety			-	-	-
Legal Services	176.3	179.9	(3.6)	(1.1)	(2.5)
Land Charges	(20.1)	(4.5)	(15.6)	(14.7)	(0.9)
Democratic Services					-
Electoral Registration	73.4	73.4	(0.0)	0.0	(0.0)
Elections	78.8	78.8	0.0	0.0	0.0
Democratic Support	374.9	359.7	15.2	12.0	3.2
Mayoralty & Civic Events	53.0	44.2	8.7	6.3	2.5
Town Twinning	2.5	2.5	0.0	0.0	-
Financial Services					-
Treasury Management	80.9	77.1	3.8	0.7	3.1
Insurance, Risk & Audit Fees	64.7	46.0	18.7	(2.1)	20.8
Financial Services Team	358.3	367.8	(9.5)	(2.3)	(7.2)
People & Policy					-
Human Resources	393.6	370.2	23.4	5.0	18.4
Corporate Support	192.4	193.9	(1.5)	(1.5)	-
Publicity	4.0	1.0	3.0	3.4	(0.4)
Total	**2,299.8**	**2,260.3**	**39.6**	**2.1**	**37.5**

Key changes made during the period to the full year forecast	Variance Bfwd £000	Variance this Qtr £000	Full-Yr £000	RAG
Staff Savings	8.3	**14.7**	22.9	
Corporate Subscriptions - Local Govt Information Unit	(4.5)	**-**	(4.5)	
Legal - Professional Fees & Reference Books	4.6	(1.7)	2.9	
Legal income	1.3	(4.8)	(3.5)	
Office savings	3.4	(0.4)	3.0	
Members costs	5.0	-	5.0	
Office savings	3.8	-	3.8	
Democratic & Mayoralty savings	2.7	-	2.7	
Elections	(0.6)	0.6	0.0	
Land Charges Income	(14.7)	(0.9)	(15.6)	
External Audit - Accountancy	4.5	-	4.5	
Internal Audit - LCC reduced Audit Plan 20/21	(1.4)	20.8	19.5	
Bank Charges	(4.0)	4.0	-	
Other Misc under / (over) spends	(6.4)	5.2	(1.2)	
TOTAL	**2.1**	**37.4**	**39.5**	

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Corporate Management Highlight Report – Q3 (end Dec 2020)

Historic Issues

- None reported.

Current Quarter Issues

The Corporate Management Q3 variance is currently standing at £37.5k favourable, the main movements being: -

- Staff changes are £22.9k favourable.
  - Corporate Management - forecasted saving of £2k
  - Legal Services – unfavourable £6k variance due to temporary restructure
  - Democratic Services - member of staff on reduced hours, forecasted saving of £9.4k
  - Financial Services – unfavourable £8k variance due to temporary restructure
  - People & Policy - following the recent restructure the part-year reductions are leading to an expected £25k saving in 2020/21
- Legal Services and Democratic Services are showing an under spend of £5.9k and £11.5k respectively in part due to Covid 19 and the result of home working
- Local Land Charges income has seen a further drop in recent years and this adverse £15.6k is consistent with the experience in previous years. Covid 19 has had an impact in the early months.
- The Democratic Services has seen a total of £5.6k favourable movement in the variance because most of the events have been cancelled due to the pandemic.

Futures Issues

- The Elections budgets are showing a nil variance, but both the Registration budget and Local Election budget are being supported by provisions. The cost of a stand-alone Local Election is around £63k compared with a shared election cost of around £51k. Budgets may need to be revised for 2021/22

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Corporate Services Directorate

Period 9 (Dec)

Non-Distributed Costs & Capital Financing	2020/21 Org Budget £000	2020/21 Forecast £000	2020/21 Variance (Adv)/Fav £000	Variance last reported £000	Change in Qtr (Adv)/Fav £000
Non Distributed Costs					
Employee & Pension Costs	94.1	212.4	(118.3)	(118.8)	0.5
Other Non-distributed Costs	19.5	(149.7)	169.2	(19.7)	188.9
Capital Financing					
Minimum Revenue Provision	371.3	410.5	(39.2)	(155.0)	115.8
Interest (net)	45.9	143.3	(97.4)	(96.9)	(0.5)
Total	**530.8**	**616.5**	**(85.7)**	**(390.4)**	**304.7**

Key changes made during the period to the full year forecast	Variance Bfwd £000	Variance this Qtr £000	Full-Yr £000	RAG
Vacancy control savings target	(150.0)	-	(150.0)	
Purchased additional leave	20.0	0.5	20.5	
Historical pension costs	11.2	-	11.2	
Doubtful Debts Provision	(20.0)	-	(20.0)	
Interest expenditure/income from bank accounts	(98.6)	1.2	(97.4)	
Empty Homes Recovery Scheme costs	(155.0)	115.8	(39.2)	
Covid Lost fees and Charges grant from MHCLG	-	189.1	189.1	
Other minor variances	2.0	(1.9)	0.1	
TOTAL	**(390.4)**	**304.7**	**(85.7)**	

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Non-Distributed Costs & Capital Financing Highlight Report – Q3 (end Dec 2020)

Historic Issues

- None

Current Quarter Issues

This Q3 report is forecasting a net adverse variance of £85.7k, with the main movements being:-

- The original budget staff savings target was £150k. Total savings in staff costs being predicted at Q3 are £265.4k across the other departments. Added to this is around £20.5k of savings from employees purchasing additional leave. This gives a net favourable variance in staff costs of £135.9k over and above the total original budget.

Staffing Variances	Q1	Cum Q2	Cum Q3
Customer Services	2.7	(0.1)	(1.5)
Operations	94.9	120.0	151.3
Public Protection	56.0	59.8	54.0
Economic Development	36.6	59.8	38.7
Corporate Management	6.7	2.0	2.3
Legal & Democratic	(0.7)	(3.5)	3.3
Financial Services	3.8	2.3	(7.8)
People & Policy	6.3	7.4	25.0
Savings in staff costs	**206.4**	**247.8**	**265.4**
Additional Leave	20.0	20.0	20.5
Total staff savings	**226.4**	**267.8**	**285.9**
Original savings target	(150.0)	(150.0)	(150.0)
Staff Variance	**76.4**	**117.8**	**135.9**

- This is £39k over and above the £300k included in the original budget. However in December 2020 the Cabinet approved a 2020/21 £950k budget increase in to the scheme. The capital costs of the scheme are shown separately on page 25.
- Interest income is expected to be below the budget by £97.4k. Due to the Coronavirus Pandemic banking institutions have cut the interest rates from March 2020. In addition the level of uncertainty around income collection has prompted officers to keep cash flow mainly with instant accounts throughout Q3. Consequently, the interest income forecast below has reduced.
- The Sundry Debt analysis on page 23 is forecasting a doubtful debt level of £244k, though £52k of this is still being pursued through the courts. The current doubtful debt provision is £163k. An additional £20k provision was added at Q1. Of the sundry debts £26k are held on the Local Land Charges Register. Officers will monitor any requirement for further doubtful debt provision during Q4.

Future Issues

- None

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Earmarked Reserves

Earmarked Reserves (cash-backed items only)	**Employment & Transport Reserve**	**Director Invest Reserve**	**Local Business Rates Retention Reserve**	**Transitional Budgetary Support**	**Planning Reserve**
	AN060103	AN060123	AN060144	AN060129	AN060145
Balance at 01/04/2020	**815.7**	**35.6**	**2,639.9**	**1,729.8**	**232.8**
Funds Received 2020/21					
Collection Fund - Deficit 2020/21			(827.0)	(59.0)	
Collection Fund - S31 Grants			1,563.0		
Collection Fund - Renewable Energy			173.0		
New Homes Bonus				302.0	
Other Revenue income received					
General Fund Deficit - *2020/21 forecast*				(259.6)	
Total Funds Available	**815.7**	**35.6**	**3,548.9**	**1,713.2**	**232.8**
2020/21 Published Budget Utilisation					
Retained Business Rates			(686.0)		
New Homes Bonus				(302.0)	
General budget support					
2020/21 Other Utilisation Plans					
Transfers between Reserves	23.6			(23.6)	
IER					
Support Forward Plan					(182.2)
Economic Development Projects	(839.3)				
Brexit Grant Spend		(35.6)			
Legionella Risk Assessment					
Living Well, Living Better Project					
Spinning Point Phase 1					
Spinning Point Phase 2 development					
Haslingden Task Force					
Homelessness Projects					
Operational Vehicle Maintenance					
Property-related projects					
Reserve Estimates 31/3/2021	**(0.0)**	**0.0**	**2,862.9**	**1,387.6**	**50.6**
Future Contributions/Utilisation Plans					
2021/22 Plans	0.0	0.0	(200.0)	0.0	(43.2)
2022/23 Plans	0.0	0.0	(200.0)	(401.0)	(7.4)
2023/24 Plans	0.0	0.0	(200.0)	(404.0)	0.0
2024/25 Plans	0.0	0.0	(200.0)	(400.0)	0.0
Potential Reserve Balances	**(0.0)**	**0.0**	**2,062.9**	**182.6**	**0.0**

Employment & Tranport Reserve usage	**2020/21 £k**
Whitaker HLF RIBA design process	10.7
Whitaker HLF Match Funding (Full Council July 2018 £190k less above 70k)	183.7
Invest in Rossendale Webpage	3.3
Rossendale Works- Employability - April 2018	10.5
Rossendale Works- Employability - April 2020 -22	30.0
Haslingden Town Centre- external funding bid	160.0
Haslingden National Lottery Heritage Fund Officer (Jan 2020)	15.0
Bacup Future High Street Project	200.1
Bacup Heritage Action Zone Officer SOD 31/03/19	87.5
Establishment of second Economic Development Officer Town Ctr and Comm Buildings - 18 Month fixed term contract	45.4
Plot 1, Plot 5 and Junction Works (Cabinet 27/01/20)	75.0
Rawtenstall Market 2020 tender exercise	10.0
Drawings for Bacup 2020 Heritage Action Zone Match	2.2
Economic Development Officer - Extra Staff	6.0
Total 20/21 projects	**839.3**

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Earmarked Reserves (cash-backed items only)	Vehicle Reserve AN060130	Leisure Reserve AN060118	Rawtenstall Bus Station AN060142	Directorate Reserves AN060121	General Reserve	Total
Balance at 01/04/2020	**189.0**	**64.2**	**0.0**	**745.0**	**1,000.0**	**7,452.0**
Funds Received 2020/21						
Collection Fund - Surplus 2019/20				0.0		**(886.0)**
Collection Fund - S31 Grants				0.0		**1,563.0**
Collection Fund - Renewable Energy				0.0		**173.0**
New Homes Bonus				0.0		**302.0**
Other Revenue income received			517.0	0.0		**517.0**
General Fund Deficit - 2019/20				0.0		**(259.6)**
Total Funds Available	**189.0**	**64.2**	**517.0**	**745.0**	**1,000.0**	**8,861.4**
2020/21 Published Budget Utilisation						
Retained Business Rates				0.0		**(686.0)**
New Homes Bonus				0.0		**(302.0)**
General budget support				0.0		**0.0**
2020/21 Other Utilisation Plans						
Transfers between Reserves				0.0		**0.0**
IER				(12.4)		**(12.4)**
Support Forward Plan				(28.5)		**(210.7)**
Economic Development Projects				0.0		**(839.3)**
Brexit Grant Spend				(64.8)		**(100.4)**
Legionella Risk Assessment				0.0		**0.0**
Living Well, Living Better Project				(30.9)		**(30.9)**
Spinning Point Phase 1				0.0		**0.0**
Spinning Point Phase 2 development				0.0		**0.0**
Haslingden Task Force				(8.8)		**(8.8)**
Homelessness Projects				0.0		**0.0**
Operational Vehicle Maintenance	(40.0)			0.0		**(40.0)**
Property-related projects		(0.9)		(11.6)		**(12.5)**
Reserve Estimates 31/3/2021	**149.0**	**63.3**	**517.0**	**578.9**	**1,000.0**	**6,609.3**

Current issues

As noted on page 2, officers expect the draft adverse variance on the General Fund of £260k to be funded from Transitional Reserve in 2020/21 along with the deficit of £59k from the Council Tax collection fund. This will leave the Reserve with £1,388k once the planned MTFS support is applied up to 2021/22.

In Q3 a new earmarked reserve was set up for the Rawtenstall Bus Station. Rossendale Borough Council received £517k from LCC for the commuted sum for ongoing maintenance.

Agreed detail of the usage of the Employment & Transport Reserve can be seen in the table on page 18.

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Grants Unapplied

Grants Unapplied (* denotes a capital grant)	Disabled Facilities Grants *	Homeless Grant	Domestic Abuse Grant	Hoarding Grant	Covid Business Grants	Covid Hardship Support	Covid LA Support	Covid Test and Trace	Covid Local Restriction Support Grants	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	AL030132	AL030127	AL030130	AL030129						
Balance at 01/04/2020	**1,183.7**	**52.9**	**6.8**	**3.4**	**0.0**	**0.0**	**38.4**	**0.0**	**0.0**	**1,285.2**
New Funds Received 2020/21										
Grant due/received	1,022.4				19,080.0	821.8	1,407.9	122.1	3,199.6	**25,653.8**
Total Funds Available	**2,206.1**	**52.9**	**6.8**	**2.1**	**19,080.0**	**821.8**	**1,446.3**	**122.1**	**3,199.6**	**26,937.7**
Utilisation in 2020/21										
DFGs allocation 2020/21 - *forecast*	(1,000.0)									**(1,000.0)**
Transforming Lives/Hoarding Projects				(2.1)						**(2.1)**
Homelessness Project		(52.9)								**(52.9)**
Domestic Abuse Projects			(6.8)							**(6.8)**
Covid related expenditure					(19,080.0)	(821.8)	(1,446.4)	(122.1)	(3,199.6)	**(24,669.8)**
Anticipated Balance 31/03/2020	**1,206.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.0)**	**(0.0)**	**0.0**	**1,206.1**
Future Utilisation Plans										
2021/22 plans	(1,000.0)		0.0	0.0						**(1,000.0)**
2022/23 plans	(206.1)									**(206.1)**
Potential Reserve Balances	**(0.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.0)**	**(0.0)**	**0.0**	**(0.0)**

In addition to the £1,184k of unspent DFG grant brought forward, the 2020/21 allocation is £1,022k, giving total DFG resources of over £2,206.1k. Total expenditure in 2019/20 was just under £890k, less than half of the funds available. It is to be expected that there will be some slippage into 2021/22 and possibly 2022/23 as the occupational health referrals continue to progress. It is anticipated that all of the Covid related grants will be spent in 2020/21, if this is not the case the balance will be placed in a reserve at year end.

Staff Costs, including agency

Employment Costs 2020/21 to end Dec	YTD Budget £000	YTD Actual £000	YTD Variance (Adv)/Fav £000	Variance last Qtr (Adv)/Fav £000	Change this Qtr (Adv)/Fav £000	FTE Original Budget 2020/21	FTE Changes during 2020/21	Current Vacant Posts
Communities Directorate								
Customer Services	253	254	(1)	0	(1)	7.8	0.0	0
Operations Service	1,255	1,218	38	11	27	52.3	0.0	5
Communities	527	457	70	48	21	25.2	0.0	2
Environmental Health	138	110	28	24	4	7.0	0.0	0
Licensing & Enforcement	234	233	0	5	(4)	6.0	0.0	1
Housing	211	209	3	2	0	7.0	0.0	1
Economic Development Directorate								
Planning Services	346	304	42	31	11	11.5	0.0	1
Building Control Services	89	89	0	0	(0)	3.0	0.0	0
Regeneration	154	239	(86)	(54)	(31)	4.0	0.0	0
Property Services	52	50	2	5	(3)	4.4	0.0	0
Corporate Services								
Corporate Management	279	281	(2)	8	(10)	4.0	0.0	0
Legal Services	112	113	(2)	2	(3)	3.0	0.0	0
Local Land Charges	29	29	(0)	(0)	-	1.0	0.0	0
Democratic Services	213	190	23	10	14	7.6	0.0	0
Financial Services	254	254	0	(0)	1	7.8	0.0	0
People & Policy	407	361	46	50	(4)	14.6	0.0	1.2
Total	4,552	4,390	162	141	21	166.2	0.0	11.2

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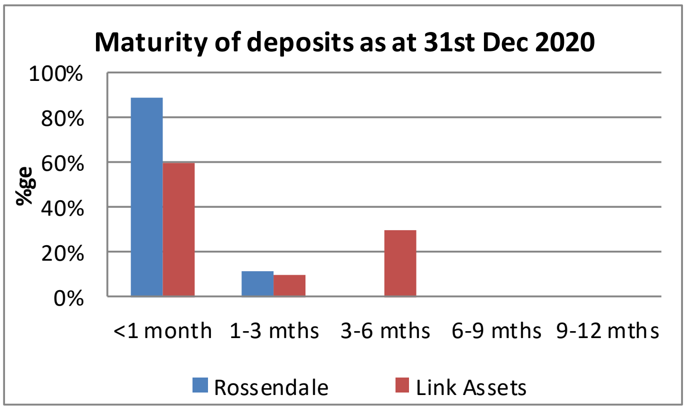
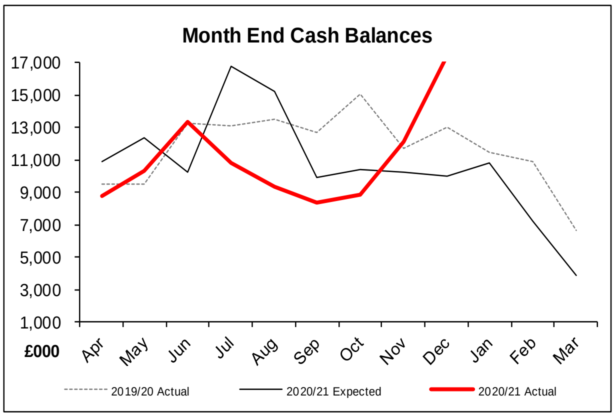
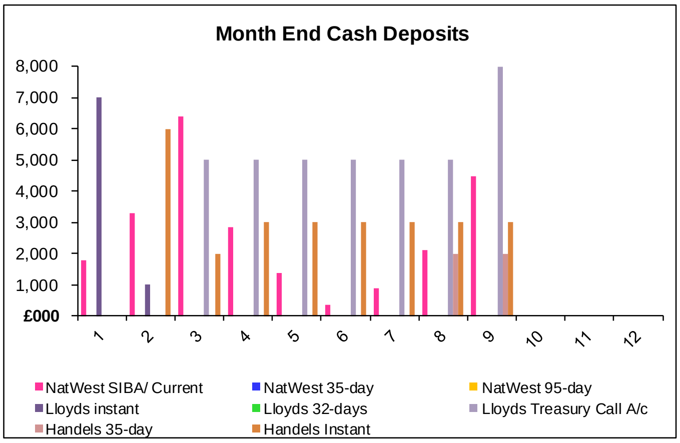
Treasury Management & Cash Flow Monitoring

At the end of December, the bank balances were £17,469k up from the Q2 balance of £8,367k. The Council received £19.8m in April to fund Covid-19 Grants and to date has paid out over £16.8m. With the continuing uncertainty around Covid-19 support payments officers have kept these funds liquid throughout the year to enable the Council to respond rapidly to the pandemic for the residents of the borough.







Balances & Interest Rates at 31/12/2020	Current Balance £k	Interest Rate %
NatWest SIBA	4,469	0.01
NatWest 35 day account	-	0.10
NatWest 95 day account	-	0.15
Handelsbanken instant	3,000	0.00
Handelsbanken 35-day	2,000	0.10
Lloyds instant access	-	0.00
Lloyds 32-day notice	-	0.10
Lloyds Treasury Call A/c	8,000	0.05
Lloyds 12mth Deposit	-	
Total Bal & Avg interest	17,469	0.04

Due to the Coronavirus Pandemic banking institutions cut the interest rates from March and the Handelsbanken 35-day account has reduced to 0.1% from 0.25% from mid October. As noted above, officers have kept funds liquid to ensure rapid response for payments to businesses and residents. Officers have placed £8m in a Lloyds Treasury Call Account in order to maintain access whilst earning 0.05% interest. There has been a slight improvement from Q2 in interest income forecast however overall this is well below our budgeted target.

The average effective interest rate at the end of Q3 was 0.04%, compared to a target of 0.9%

Interest Paid/Received

The budget for interest in 2020/21 is a net cost of £46k.

At Q3, the forecast for interest income is now showing an adverse variance of £72.6k, a slight improvement of 1.3k from Q2.

Interest Forecast	Budget 2020/21	Forecast 2020/21	Variance Fav/(Adv)	Change Fav/(Adv)
Revenue				
Interest payable (PWLB)	(121.4)	(146.1)	(24.7)	3.7
Other interest payable	(1.0)	(1.0)	0.0	0.0
Misc Interest income	0.0	0.0	0.0	0.0
Bank Interest income	76.4	3.8	(72.6)	1.2
Net Interest	**(46.0)**	**(143.3)**	**(97.3)**	**4.9**

Also PWLB interest payable on the loan taken in August 2019 is £24.7k more than allowed for in the original budget. This makes a total adverse variance of £97.3k.

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Economic Outlook

(issued 16th December)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.6% in November 2020, down from 0.9% in October 2020.

•The largest contribution to the CPIH 12-month inflation rate in November 2020 came from recreation and culture (0.24 percentage points).

•Falling prices for clothing, and food and non-alcoholic beverages resulted in the largest downward contributions (of 0.17 and 0.09 percentage points respectively) to the change in the CPIH 12-month inflation rate between October and November 2020. These were partially offset by upward contributions from games, toys and hobbies, and accommodation services.

•As a result of the increased restrictions caused by the coronavirus pandemic, 72 CPIH items were identified as unavailable in November, accounting for 13.9% of the basket by weight; the number has increased from eight in October but is down from 90 in April, the first full month of lockdown; for November, we collected a weighted total of 83.8% of comparable coverage collected before the first lockdown (excluding unavailable items).

For the Council's the inflation rate at September is the most important one as it tends to form the basis of the annual increase in many of the IT license charges. CPIH in September 2020 was 0.7%.

The outlook for the global economy is highly uncertain. It will depend on a deal with the EU on Brexit, how restrictive the shutdowns are and how long these are in effect for, the pace at which these containment measures are lifted, the extent to which voluntary social distancing continues, and the effects of the current response to a third wave of infections.

Interest rate forward predictions

The Council's treasury management advisors, Link Asset Services, have issued a very caution forecast for the Base Rate in the coming year, though they warn that the possibility of a negative interest rate is very real.

at 30th Sept 2020	***Current Rates***	**Dec 2020**	**Mar 2021**	**Jun 2021**	**Sept 2021**	**Dec 2021**
Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
25yr PWLB	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%

The PWLB loan that officers arranged in August 2019 has locked in £2m at 1.34% for 20 years to facilitate the building project on Plot 5 Futures Park.

Treasury Management Practices (TMPs) and Prudential Indicators

The Council's bank resources have seen some extraordinary movements during 2020/21 which were not anticipated when Members approved the Treasury Management Strategy back in February. Resources rose to £33.1m in early April and officers placed £15m of this with the DMO over the long Easter weekend. The need for the Council to respond quickly to paying out these loans has meant that the TMPs have been breached quite heavily this year. During Q3 the TMPs have been complied with as resources ranged from a low of £8.6m on 23rd October to a high of £19.9m on 17th December.

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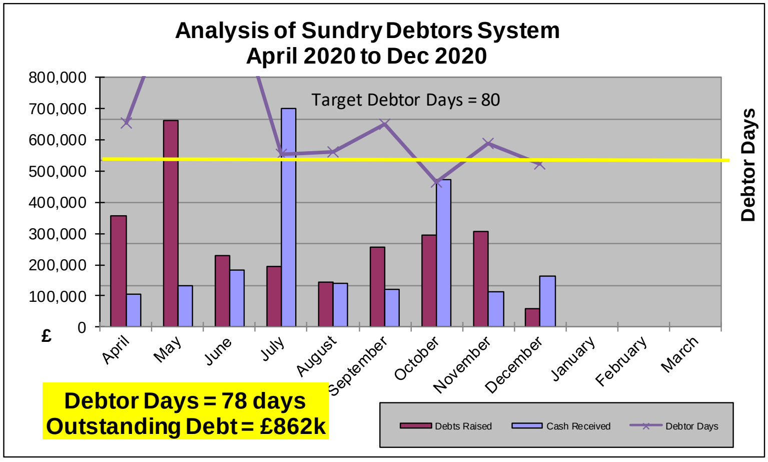
Sundry Debts Monitoring



Invoices raised to the end of Q3 totalled £2,815k, of which £2,415k has already been collected and a further £131k is being collected in instalments throughout the year.

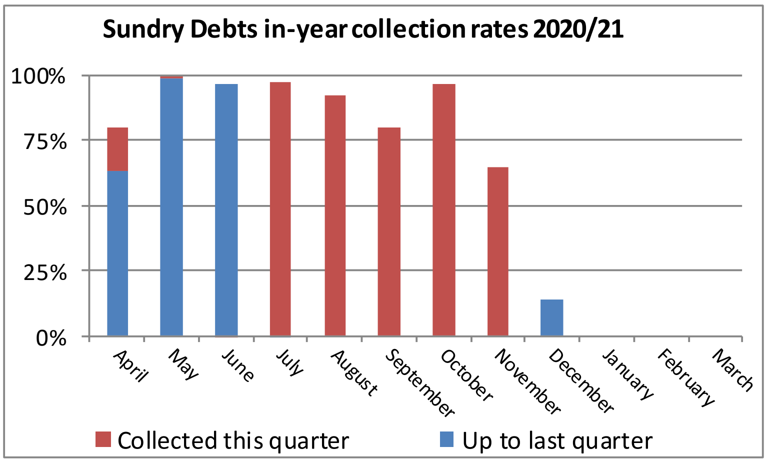
A further £102.5k of the 2019/20 outstanding debt has now been collected. The 2019/20 year outstanding debt has now dropped to £36k, representing a collection rate for that year of 98.5%.

Housing Rent Debts

Of the £324k of housing rent debts brought forward in April 2020 the Council has a provision of £288.5k brought forward for doubtful debts, leaving a net £36k debt still to chase.

Doubtful debts

The debtor days in Q3 has improved to 78 days from 98 days in Q2. The debtor days in Q1 hit 165 due principally to one large invoice issued in May and collected in July. However, the coronavirus pandemic has affected local businesses paying charges such as trade waste and commercial rent, resulting in a current collection debtor days of 78, compared to 55 in Dec 2019 and 45 at the end of March.



Of the £659k outstanding, the doubtful element is now £244k of which £52k is owner contributions due from Bacup THI property owners.

Debts Outstanding	Mar 2018 £k	Mar 2019 £k	30 Sept 2020 £k	£k	31 Dec 2020 £k	£k	Doubtful Debts rate	value
Earlier Debt	60.5	60.2		58.2		57.6	100%	39.4
2016/17 Debt	32.2	19.7		19.7		19.9	100%	19.9
2017/18 Debt	73.5	71.9		71.3		71.6	100%	44.8
2018/19 Debt	415.8	72.8		73.5		73.6	100%	73.6
2019/20 Debt								
Q1		8.0		5.0		5.3	100%	5.3
Q2		10.0		6.0		6.4	100%	6.4
Q3		13.1		7.2		7.7	75%	5.8
Q4		107.8		14.5		17.0	50%	8.5
2020/21 Debt								
Q1 Apr			136.9		76.2		10%	7.6
Q1 May			8.3		7.3		10%	0.7
Q1 Jun			8.9	154.1	31.5	115.0	10%	3.2
Q2 Jul			13.1		7.4		10%	0.7
Q2 Aug			22.8		11.2		10%	1.1
Q2 Sept			341.6	377.5	80.8	99.4	10%	8.1
Q3 Oct			75.6		9.5		10%	1.0
Q3 Nov			0.0		125.3		10%	12.5
Q3 Dec			0.0	75.6	51.0	185.8	10%	5.1
Total Debt o/s	**582.0**	**363.5**		**862.6**		**659.2**		**243.7**

The general impairment provision brought forward in April 2020 was £162.6k, with an additional £5.4k for Licensing debts. An additional £20k provision was added at Q1.

Of the sundry debts opposite £26k are held on the Local Land Charges Register.

Officers will monitor any requirement for further doubtful debt provision during Q4.

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Capital Resources

Table 1 - 2020/21 receipts

Major Receipts:	Original Budget £000	Year to Date £000	Forecast £000
Capital Receipts			
Land & Property Sales	50	2,486	2,486
Obsolete refuse vehicles	53	-	53
Net receipts to table 2	103	2,486	2,539

Table 2 - Useable Capital Resources

Useable Capital Resources	**£ 000**
Balance at April 2020	2,733
Capital Grants in 2020/21	5,624
Capital Receipts in 2020/21	2,539
	10,895
Revenue Contributions	
from Earmarked Reserves	186
from Revenue Operations	89
Total Capital Resources 2020/21	**11,170**
Capital Prog funding applied	(9,394)
Total Capital Resources March 2020	**1,776**
Capital Receipts Reserve (housing)	367
Capital Receipts Reserve (unalloc)	1,409

Current issues

During Q3 the sale of Knowsley Park Depot completed for £2.5m.

Financing the Capital Programme

The Useable Capital Receipts Reserve holds the balance of funds from the sale of Council assets the balance brought forward at the 1st April 2020 was £2,733k.

The original capital programme for 2020/21 approved in February was £1,526k, to which £5,573k of slippage was added from ongoing projects at the end of March 2020. This included £1,222k for Futures Park Plot 5 building works, £1,855k for Whittaker Park Museum Refurbishment and £355k for replacement vehicles.

New projects during 2020/21 added £3,063k, including the repayment of the LEP grant for Spinning point phase 2, the addition of futures Park Plot 1 and infrastructure, the Waste Transfer Station refurbishment at Henrietta Street depot, the Empty Homes Scheme renovation costs, Victoria Way Storm Damage and the DFG's, to give a revised capital programme of £10,162k

The total grant income expected for the revised capital programme is £5,624k. The slippage being brought forward will be funded by £3,395k of grant. Revenue resources being applied in 2020/21 are expected to be £242k, but £191k of which relates to slippage brought forward.

The total in the Useable Capital Receipts Reserve at the end of 2020/21 is currently expected to be £1,776, of which £367k is still ring-fenced for housing schemes and £1,327k is required for slippage items.

Future issues

None

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Capital Programme Spending

Capital Programme 2020/21	Original Cap Prog £000	Revised Cap Prog £000	Spent/ Ordered £000	Full-Year Forecast £000	Forecast Funding Arrangements: Grants/ Contrib'n	Capital Receipts	Reserves /RCCO	RBC Int Borrow	MRP Impact
Communities Directorate									
IT Software & Equipment	0	0	0	0	0	0	0	0	0
Operations	352	525	525	525	70	106	0	349	45
Communities	30	676	354	354	319	35	0	0	0
Housing	1,000	2,859	2,838	2,838	2,195	643	0	0	0
Economic DevDirectorate									
Whitaker	0	1,525	1,525	1,525	1,373	0	153	0	0
Ski Rossendale	0	118	118	118	5	113	0	0	0
Futures Park	0	1,909	1,909	1,909	1,189	708	0	12	0
Spinning Point Ph1 & 2	0	1,724	1,724	1,724	473	1,251	0	0	0
12 Market Street	0	63	63	63	0	63	0	0	0
Property Repairs & Maint	144	724	699	699	0	610	89	0	0
Bacup Historic England	0	39	39	39	0	0	0	39	0
	1,526	**10,162**	**9,794**	**9,794**	**5,624**	**3,529**	**242**	**400**	**45**

Capital Programme 2020/21	£000	Funded by
Original Capital Programme	**1,526**	
Slippage from 2019/20	**5,573**	see list
New capital projects in 2020/21		
Additional DFGs Grant	22	Extra 2020/21 DFG Grant
Wheeled & Litter Bins	17	Internal Borrowing
Vehicle Replacement - Moved into	-361	Internal Borrowing
Waterside Mill Emergency Works	100	Capital Receipts
Rising Bridge play area	54	External grants
Waste Transfer Station Henrietta S	175	External grant and internal
Victoria Way Storm Damage	350	Capital Receipts
Rock View culvert head rebuild	31	Capital Receipts
Futures Park Infrastructure & Plot 1	687	External grants & capital receipts
Spinning Point	1,440	External grant and Internal
Empty Homes Renovation	643	Capital Receipts
12 Market Street	63	Capital Receipts
Staghills Play Area	20	External grants
Whitaker - moved into 2021/22	-330	External Grants
Ski Rossendale Asset Purchase	113	External grants & capital receipts
Bacup Historic England	39	External grants
Revised Capital Programme	**10,162**	

Slippage items cfwd at end of 2019/20	Costs '£000	Funding Arrangements: Grants/ Contrib'n	Capital Receipts	RCCO (reserves or S106)	RBC Int Borrow
Communities Directorate					
Operational Vehicles	355				355
Playgrounds (community projects)	276	188		88	
Cemeteries	50		50		
Pathways	40		40		
Sports Playing Fields	206		206		
DFGs	1,173	1,173			
CPOs	21		21		
Economic Development Directorate					
Ski Rossendale	5	5			
Spinning Point Phase 1	284	284			
Futures Park Plot 5	1,222				1,222
Emergency Works	6		6		
Building Maint (uncommitted)	0				
Whitworth land remediation	21	21			
CCTV	59	54		5	
	3,452	**2,034**	**6**	**191**	**1,222**
	5,573	**3,395**	**323**	**279**	**1,577**

Capital Programme

The original Capital Programme was £1,526k, including £352k of vehicles and £1,000k of DFGs.

To this was added £5,573k of slippage, including the balances of Spinning Point Phase 1 & DFG's.

The repayment of the LEP grant for Spinning point phase 2 and the addition of futures Park Plot 1 and infrastructure along with the other schemes listed above brings the revised capital programme up to £10,162k.

Capital project activity

- Total DFG spend to Q3 was £531k
- Total spend to Q3 on the construction of Plot 5 Futures Park was £1,057k
- Total spend to Q3 Whittaker Park Museum Refurbishment was £1,391k

- Emergency demolition works to Waterside Mill costs are £75k and Rock View Whitworth culvert head rebuilding costs are £31k spent to Q3. Emergency works to Victoria Way Wall by storm damage have cost £350k to Q3.

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Minimum Revenue Provision (MRP)

Minimum Revenue Provision (MRP)	MRP Budget 2020/21	Revised MRP Required 2020/21	Potential (Additions) / Savings 2020/21
Refuse Collection	315	315	0
Street Sweeping	0	0	0
Parks	20	20	0
IT	0	0	0
Facilities/Property	0	93	-93
Leisure Investment	126	126	0
Corporate Services	4	0	4
Housing	300	339	-39
Non-distributed Costs	71	76	-5
	836	969	-133

Capital Financing Requirement	Net Additions	MRP 2020/21	CFR 2020/21
Whitworth Civic Hall	0	-29	815
Marl Pits investment	0	-66	1,986
Whitworth Pool extension	0	-60	745
Rawtenstall Town Centre	0	-26	941
Other buildings	0	-113	1,410
Operations vehicles etc	491	-376	1,281
Housing (inc Empty Homes)	0	-339	0
Other assets	17	-2	16
	508	**-1,011**	**7,193**

MRP is the annual revenue repayment of internal funds used to support capital work.

Delays in purchasing operational vehicles in 2020/21 may lead to MRP savings at the end of 20/21 (see page 8 & 9).

Section 106 Receipts Monitoring

Section 106 Agreements 2020/21	**Third Party Projects**	**RBC Revenue Projects**	**RBC Capital projects**	**RBC Total Held**
	£000	*£000*	*£000*	*£000*
Balance bfwd at 1st April 2020	276.5	117.8	509.8	**904.1**
Deposits received in 2020/21	57.0	1.1		**58.1**
Deposits applied in 2020/21	(9.0)	(11.1)	(44.9)	**(56.0)**
Current Balance	**324.5**	**107.8**	**464.9**	**897.2**

The value of S106 agreements brought forward on the 1st April was £904.1k. To the end of Dec £58.1k of new S106 charges have been received and invoices issued for a further £342k but funds of £18k have not yet been received, therefore they are not included in the above table, but they are part of the outstanding debts on page 23.

Planning Ref	Area	Site	Purpose	Time Period	Currant Balance
RBC Maintenance:-					
2004/401	Bacup	Douglas Rd/ Tong Lane	Land Maintenance	no time limit	104,846
2006/696	Whitewell Bott	Edgeside Park / Millenium Steps	Edgeside Park / Millenium Steps	no time limit	1,968
2008/587	Borough	PCT, Bacup Rd, Rawtenstall	Irwell Sculpture Trail	no time limit	977
					107,791
RBC Capital:-					
2010/0667	Whitworth	Cowm Park Way/ Hall St	Public Open Spaces	Exp July 2020 / May 2021	69,461
2010/0667	Whitworth	Cowm Park Way/ Hall St	Public Open Spaces	Exp Mar 2023	10,264
2011/0046	Helmshore	Holmefield House	Affordable housing (Deed of Variation)	Legal to determine poss Sept 2020	25,800
2013/0041	Cloughfold	Land at 449-457 Bacup Rd,	Play Space/Open Space and/or pedistrian/cycle way	no time limit	13,702
2015/0238	Edenfield	Horse & Jockey. 85 Market St, Edenfield	Local recreational/play facilities	Exp July 2023	14,759
2015/334	Rawtenstall	Land off Oaklands Drive & Lower Cribden Ave, R's	Affordable Housing	Exp March 2024	162,893
2015/334	Rawtenstall	Land off Oaklands Drive & Lower Cribden Ave, R's	Affordable Housing	Exp June 2024	165,886
2016//0228	Edenfield	Land at Croft End Mill, Stubbins	Public Open Spaces - Edenfield Play area	Exp Oct 2023	15,852
2016/0563	Newchurch	Dark Lane	Replacement Football Pitch	tba	
					478,618

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Council Tax & NNDR Collection Rates

Collection Rates	Council Tax 2016/17	Council Tax 2017/18	Council Tax 2018/19	Council Tax 2019/20	Council Tax 2020/21	Business Rates 2016/17	Business Rates 2017/18	Business Rates 2018/19	Business Rates 2019/20	Business Rates 2020/21
April	10.60	10.39	10.41	10.51	10.04	11.25	10.34	11.26	12.22	10.24
May	19.73	19.53	19.72	19.70	18.96	19.20	19.14	18.93	21.07	18.89
June	30.12	28.81	28.79	28.63	27.62	28.26	27.51	27.28	28.68	25.62
July	37.97	37.91	37.97	37.86	36.56	35.55	36.85	36.25	37.37	33.92
August	47.21	47.10	47.03	46.90	45.24	43.60	48.98	49.93	50.82	48.55
September	56.35	56.20	56.05	56.01	54.29	58.92	57.60	58.43	58.34	57.84
October	65.58	65.58	65.32	65.23	63.29	67.00	65.57	67.95	67.52	68.97
November	74.73	74.81	74.52	74.78	72.30	74.40	74.28	74.77	74.26	77.15
December	83.85	84.03	83.55	83.33	80.90	82.08	82.46	83.00	82.70	85.92
January	93.01	92.93	92.72	92.48		90.20	91.18	91.11	90.91	
February	94.84	94.90	94.90	94.60		94.06	95.10	95.73	95.00	
March	96.20	96.40	96.70	96.32		97.20	98.40	98.47	97.78	

Quite predictably collection rates for Council Tax are lower compared to this time last year. Whilst Business Rates appear to have caught up since Q1 to 3.22% up, this does however include credits issued to businesses. Once these credits are processed the collection rate is likely to be 2% less than last year. Council Tax collections have continued to lag behind 2019/20 moving from 1.72% down at Q2 to 2.42% by the end of December.

Council Tax Collection Fund

Council Tax Forecast 2020/21	Q1 £'000	Q2 £'000	Q3 £'000
Council Tax Collectable (after Discounts & Exemptions)	40,430	40,439	40,434
less Doubtful Debt Provision	(300)	(300)	(300)
	40,130	**40,139**	**40,134**
less Precepts for 2020/21			
Lancashire County Council	(28,896)	(28,896)	(28,896)
Police	(4,363)	(4,363)	(4,363)
Fire	(1,462)	(1,462)	(1,462)
Rossendale Borough Council	(5,826)	(5,826)	(5,826)
	(40,547)	**(40,547)**	**(40,547)**
Surplus / (Deficit)	**(417)**	**(407)**	**(412)**
RBC Share = 14.61%	**(60)**	**(59)**	**(59)**

At this Q3 report the Council Tax collection fund looks to be heading towards a deficit of around £412k, this is after factoring in the impact of the Hardship Fund. This year RBC's share is 14.61%, so this is around £59k deficit for RBC.

Members should be aware that to date there have been no court sessions. The original budget income on page 6 was £300k, but with the continued impact of Covid-19 it appears no court cost income will materialise before April 2021.

Local retention of Local Business Rates (NNDR)

Under the new business rates scheme, variances from the original budgets fall into two categories – those arising from changes to the collection fund and those arising from grants and levies received or charged to the General Fund. In 2020/21 the Lancashire Business Rates Pool has reverted to 50% local retention of business rates.

Due to the coronavirus pandemic the Government extended the 100% Business Rate Relief scheme to include retail, hospitality and leisure businesses. At Q3 this was £5,550k, compared to the original estimate of £463k (a decrease of £30k during Q3). This has reduced the NNDR due forecast considerably. However, the Government are issuing additional S31 grants to cover this lost income. We are anticipating that Government will introduce legislation allowing these to be transferred to the Collection Fund. The tables overleaf now include officer assumptions on how those grants may be applied to reduce the potential cash deficit on the Fund.

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During Q3 banding decreases have risen to £483k. Of the £744k issued in refunds, any related to the band decrease decisions will be paid from the Appeals Provision. Given the effects of the pandemic on businesses in the valley it would not be prudent to lower the Doubtful Debt Provision, but there could be at least a further £100k reduction in the Appeals Provision requirement if this year follows the pattern of 2019/20.

Central Government gives authorities Section 31 grants to cover small business reliefs and other government-backed schemes. In the NNDR1 estimate those grants totalled £1,292k, but the total level of additional reliefs given mean grant is likely to be £6.673k. Officers have presumed that the £5,110k additional grant will be used to compensate the overall Collection Fund (shown yellow above).

Business Rates Collection Fund 2020/21 (50% Pool)		NNDR1 £000	Q1 £000	Q2 £000	Q3 £000
Net Liability Due		13,336	7,994	7,034	6,965
Less Transitional Payments due to MHCLG		(15)	(15)	(15)	(15)
Less Cost of Collection Allowance		(97)	(97)	(97)	(97)
Less Doubtful Debt Provision		(300)	(300)	(300)	(300)
Less Appeals Provision		(530)	(400)	(300)	(300)
Less Renewables 100% to RBC		(173)	(173)	(173)	(173)
Additional General S31 Grant for Covid Reliefs			4,174	4,174	5,110
Net NNDR due	A	**12,221**	**11,183**	**10,323**	**11,190**
Less Trans surcharge	B	0	15	15	15
Less Precepts		(12,236)	(12,236)	(12,236)	(12,236)
Cash Surplus/(Deficit)	C	**(15)**	**(1,038)**	**(1,898)**	**(1,031)**
RBC Share = C x 40%	D	(6)	(415)	(759)	(412)
Central Government share 50%			(519)	(949)	(516)
LCC and Fire share 10%			(104)	(190)	(103)

After factoring in the additional Section 31 grant of £5,110k (if legislation allows) the net effect is a cash deficit prediction of £1,031k, of which RBC's 40% share would be £412k.

Factoring in the estimated S31 Grants attributable to Rossendale Borough Council under normal conditions as £1,563k, there will be an additional Levy contribution to the Lancashire Pool of £58k. The net impact on the Council is therefore estimated to be a surplus of £1,151k.

RBC General Fund / Pooling gains		NNDR1 £000	Q1 £000	Q2 £000	Q3 £000
Business Rates Income	A+B	12,221	11,198	10,338	11,205
RBC Share = 40%		4,894	4,479	4,135	4,482
less tariff paid to Lancashire Pool		(2,714)	(2,714)	(2,714)	(2,714)
add S31 Grants	E	1,293	1,563	1,563	1,563
Subtotal		3,473	3,329	2,985	3,331
RBC Baseline Funding Level used in Budget		2,180	2,180	2,180	2,180
Surplus for Levy Calculations	F	**1,293**	**1,149**	**805**	**1,151**
Levy due to Lancs Pool = F under 50% Pool	G	(65)	(57)	(40)	(58)

To summarise, this creates a net pooling gain of £1,267k over RBC's baseline funding. When added to the Reserve balance brought forward of £2,640k along with the £390k retained surplus from 2019/20, this gives £3,907k, this is then reduced by the 2020/21 Collection fund deficit of £412k and the £686k which has been budgeted to support the General Fund in 2020/21, giving total resources of £3,267k. From this there will be a pooling levy charge for 2019/20 to pay of £69k, leaving a predicted balance at March 2021 of £3,199k.

Business Rates Summary		NNDR1 £000	Q1 £000	Q2 £000	Q3 £000
Business Rates Surplus/(Deficit) 2020/21	F	1,293	1,149	805	1,151
less Lancashire Pooling Levy	G	(65)	(57)	(40)	(58)
Renewable Energy		173	173	173	173
Overall Gain	H	**1,402**	**1,264**	**938**	**1,267**
Business Rates Retention Reserve Bfwd		2,640	2,640	2,640	2,640
Business Rates Surplus/(Deficit) 2019/20		390	390	390	390
Business Rates Cash Surplus/(Deficit) 2020	D	(6)	(415)	(759)	(412)
Business Rates Surplus/(Deficit) 2020/21	H	1,402	1,264	938	1,267
Less Budgeted Utilisation		(686)	(686)	(686)	(686)
Total Retained Business Rates Resources Cfwd		**3,740**	**3,193**	**2,523**	**3,199**

Glossary

Accrual
An adjustment at year-end to charge costs or income due in the old year, regardless of whether the cash has been paid or received. Accounts are prepared on an accruals basis in order to match the income for each financial year with the costs attributable to the same time period.

Capital expenditure
Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within the definition must be charged to a revenue account.

Capital Grants Received in Advance
Grants received in cash during the year, but not spent or committed, are held on the Balance Sheet in the Short-term Liabilities area as Capital Grants Received in Advance, acknowledging the potential requirement to pay these grants back should the related project not go ahead or underspend.

Capital Receipts
Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances. These funds form part of the Council's Useable Reserves, though they are ring-fenced for capital projects rather than revenue costs.

Cash & Cash Equivalents
Cash deposits are those which provide instant access to the funds without significant penalty or loss of interest. For the Council this is the balance on the NatWest accounts and two other instant access accounts with Lloyds and Handelsbanken. This is in comparison to short- and long-term ***Investments*** in which funds are untouchable during the life of the deposit.

Collection Fund
Rossendale Borough council collects funds on behalf of other precepting bodies, Lancashire County Council, Fire and Police as well as central government and Whitworth Town Council from domestic and commercial properties in the borough. These amounts are formally ring fenced in the Collection Fund and then distributed amongst the precepting bodies in line with their demands as set in the February budget setting meeting. At the end of the year each precepting body has their share of the arrears, the doubtful debt provision or appeals provision and the accumulated surplus or deficit. Rossendale Borough Council accounts for its own share, but holds the other preceptors shares separately on an agency basis. Hence, within the Council Tax and Business Rates monitoring members will see the overall position and the RBC share clearly identified.

Compulsory Purchase Order (CPO)
Compulsory acquisition of key properties in accordance with the Council's regeneration agenda. Compensation must be paid to the property owners, but where they cannot be traced the Council must deposit the funds with the courts for a minimum of 12 years.

Consumer Price Index (CPI)
The consumer price index (CPI) is a measure estimating the average price of consumer goods and services purchased by households. It is a price index determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical urban consumer and how this changed in the previous 12 months.

Earmarked Reserves
Cash-backed funds identified to fund specific projects in the future.

Full Time Equivalent (FTE)
Each full-time post within the Council works 37 hours per week. Part-time posts are expressed in relation to this, for example a post working 4 days a week would be 0.8FTE.

General Fund
The main revenue fund of the Council.

Grants Unapplied
Unlike Capital Grants Received in Advance, there is no requirement to repayment of these grants. The unspent balance will be released into capital or revenue in the coming years as projects come online. These funds form part of the Council's Useable Reserves.

Homes and Communities Agency (HCA)
The Homes and Communities Agency (HCA) is the non-departmental public body which helps to fund new affordable housing in England. It was established by the Housing and Regeneration Act 2008 as one of the successor bodies to the Housing Corporation, and became operational on 1 December 2008. In 2012 the HCA approved the East Lancashire Empty Homes Scheme.

Investments
The Council invests surplus cash in short- and long-term deposits in accordance with the Treasury Management Strategy and Practices revised in February each year. In this context short-term includes anything up to 365 days, and long-term is for more than one year. Funds deposited in such investments are not accessible until the end of the agreed terms.

Link Asset Services (formerly Capita & Sector)
Link Asset Services (formerly Capita & Sector) is the company which provides the Council with Treasury Management advice, including daily market reports and predictions, credit rating updates, interest rate forecasts and annual reviews of our strategy and practices ahead of the February reports to Full Council.

Medium Term Financial Strategy (MTFS)
The Council's financial planning document for the foreseeable future.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Ministry of Housing, Communities and Local Government (MHCLG)
The former Department of Communities and Local Government (DCLG)has been redesignated as the Ministry of Housing, Communities and Local Government, or MHCLG.

National non-domestic rates - now Business Rates (NNDR)
National non-domestic rates for commercial premises are set annually by the government and collected by all local authorities. The localisation of business rates in April 2013 meant that the National pool no longer exists, but the acronym NNDR is still widely used in local government circles.

Provision
Cash 'put aside' for expenditure on an intended project which has not commenced or is not complete at the year-end, but which has been contractually committed.

Provisional
Best forecast given current knowledge.

Public Works Loans Board (PWLB)
The PWLB is a central government statutory body which lends funds to local authorities with advantageous interest rates. Interest rates are published daily and local authorities provide the PWLB with annual estimates of cash requirements in return for certainty on the availability of funds and the interest rates being charged.

Reserve

Monthly Financial Monitoring Report 2020/21 Q3 December 2020

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

Revenue account

An account that records an authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

Section 106 Agreement

Planning agreement whereby developers make a contribution towards specific projects linked to their development as a condition of planning application approval. Deposits may be for revenue or capital schemes, but application of the funds are dependent on firstly the developer, and then the Council, pursuing the projects specified within the agreement.

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اگر آپ کو ان معلومات کا خلاصہ بڑے حروف میں، آڈیو کیسٹ پر یا انگریزی کے علاوہ کسی اور زبان میں درکار ہے تو براہ
مہربانی ہمیں بتائیں۔ ہم بخوشی آپ کے لئے اس کا انتظام کریں گے۔
براہ مہربانی 01706 217777 پر ٹیلیفون کریں یا کمیونیکیشن سیکشن سے اس پتہ پر رابطہ قائم کریں:

আপনি যদি এসব তথ্যের সার সংক্ষেপ বড় হরফের ছাপায়, অডিও ক্যাসেটে অথবা ইংরেজী ছাড়া অন্য কোন ভাষায় পেতে চান তাহলে অনুগ্রহ করে আমাদেরকে জানালে আমরা অত্যন্ত খুশী মনে তার ব্যবস্হা করব।

অনুগ্রহ করে ০১৭০৬ ২১৭৭৭৭ এই নাম্বারে অথবা কমিউনিকেশন সেকশন, টাউন সেন্টার অফিস, রটেন্সটল বি.বি.৪ ৭এল.জেড. এই ঠিকানায় যোগাযোগ করুন।

Other formats available on request.
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Rossendale
BOROUGH COUNCIL

ITEM NO. C2

Subject:	2021/22 Council Budget and Medium Term Financial Strategy	**Status:**	For Publication		
Report to:	Cabinet	**Date:**	10th February 2021		
Report of:	Head of Finance	**Portfolio Holder:**	Resources		
Key Decision:	☒ Forward Plan ☒	General Exception ☐	Special Urgency ☐		
Equality Impact Assessment:	Required:	No	Attached:	No	
Biodiversity Impact Assessment	Required:	No	Attached:	No	
Contact Officer:	Karen Spencer	**Telephone:**	01706 252409		
Email:	karenspencer@rossendalebc.gov.uk				

RECOMMENDATIONS

Cabinet recommends that Council approve:-

1.1. A revenue budget for 2021/22 of £8.903m, as detailed in this report.

1.2. A Council Tax increase of 1.99% which equates to a rate for Band D for 2021/22 of £285.13.

1.3. Use of £606k from the Business Rates Retention reserve to support the 2021/22 revenue budget.

1.4. The proposed fees and charges attached as Appendix 1.

1.5. The technical resolutions necessary to give effect to these budget proposals attached as Appendix 4.

1.6. The proposed £100k contribution to Rossendale Leisure Trust funded from the Council's Covid LA support grant allocation.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to enable the Cabinet to review and recommend to Council the proposed revenue budget and level of Council Tax for 2021/22, together with implications for the Council's Medium Term Financial Strategy.

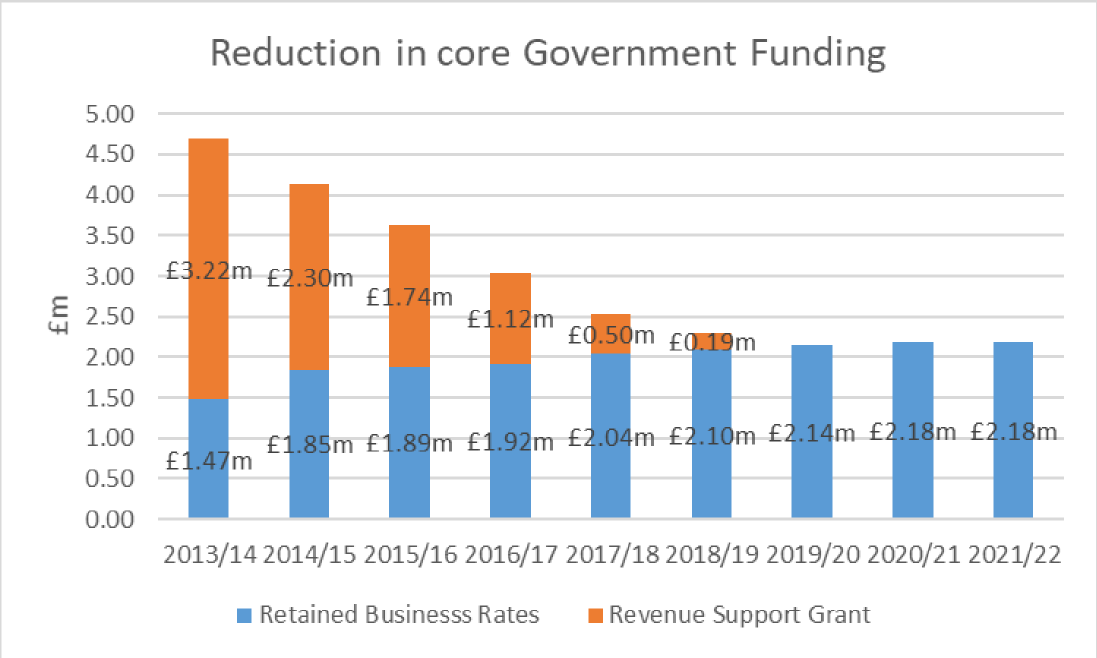
3. BACKGROUND

3.1 The budget process is a key element of the Council's strategic planning process. It is part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to deliver its corporate priorities expressed in the Corporate Plan.

3.2 Previous budget reports have set out the level of uncertainty associated with any forward projections with Government funding. This uncertainty remains given the one-year funding settlement from the Government for 2021/22. During 2020, the Government was expected to conclude a longer term Comprehensive Spending Review, the Fair Funding Review and the review of the Business Rates Retention Scheme, for implementation during 2021/22. However, due to the Covid pandemic this has been delayed until 2022/23. The outcome of the reviews has the potential to significantly impact on the Council's future funding.

3.3 For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's changes to local government financing over both recent years and the changes proposed for the future. This has resulted in all Borough Councils now being reliant on the income they generate from their own locality, be it from residents, visitors, property, and/or businesses. The graph below demonstrates how core Government funding for Rossendale has reduced over the period 2013/14 to 2021/22, with Revenue Support Grant ceasing from 2019/20.

Table 1



3.4 During 2020/21 the Government announced a wide range of funding programmes in response to the Covid pandemic. This has included financial support for the Council which has partly helped in compensating for lost income. This has had an impact on the 2020/21 revenue budget and is likely to do so for the 2021/22 budget, although the exact scale of impact is currently unknown.

3.5 **2021/22 Provisional Finance Settlement**

The provisional one year only Settlement Funding Assessment for 2021/22 was announced on 17th December 2020. The key messages arising from the settlement are:

a. Up to 2% maximum annual increase for Council Tax without triggering a local referendum.
b. Confirmation that the NNDR baseline funding will be the same as 2020/21 (no inflationary uplift), and previously earned New Homes Bonus.
c. New Homes Bonus payments will be made in 2021/22 for one year only, however legacy payments will still be made for earlier year allocations.
d. Announcement of a new funding stream for 2021/22 only 'Lower Tier Services Grant'.
e. 'Local Council Tax Support grant' to be provided to authorities in recognition of the increased costs of providing local Council Tax support following the pandemic.
f. 'Covid-19 Expenditure Pressures Grant' to cover increased expenditure due to the pandemic.
g. 'Local Tax income Guarantee for 2020/21' the Government will compensate local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income

in respect of 2020-21 as a result of the pandemic.

h. The Lancashire Business Rates Pool is likely to continue in 2021/22.

3.6 **The Medium Term Financial Strategy**

Taking into account the impact of finance settlement, including an annual increase in Council Tax of 1.99% per annum, the 2021/22 net budget estimates, resources and future forecasts are as follows:

Table 2

		2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000
Original Budget Estimates		9,006	9,087	9,159	9,418	9,703
Budget Proposals			**(184)**	**(336)**	**(442)**	**(449)**
Budget Estimates			**8,903**	**8,823**	**8,976**	**9,254**
Estimated Funding:						
Council Tax (+1.99%)		5,769	5,811	5,927	6,046	6,167
Council Tax - growth in base	0.5%	-	-	29	58	174
Collection Fund Surplus - Council Tax		69				
Lower Tier Services Grant		-	93	-	-	-
NNDR (Business rate: Base Line Funding)		2,180	2,180	2,224	2,268	2,313
New Homes Bonus		302	213	42	-	-
NNDR Retained / Pooling		686	606	200	200	200
Resources		**9,006**	**8,903**	**8,422**	**8,572**	**8,854**
Surplus / (further savings required)		**(0)**	**(0)**	**(401)**	**(404)**	**(400)**

3.7 Changes in the base budget costs between 2020/21 and 2021/22 are as follows:

Table 3

Forecast Changes	**£000**
2020/21 Base Budget	**9,006**
Employment Costs (Pay Award & Increments)	188
Contract Inflation	47
Savings/Increased Expenditure (pension additional years)	(8)
NET Revenues & Benefits Contract savings	(31)
Staff Savings	(52)
Increased Rental Income (Futures Park Plot 5 & Plot 1)	(196)
Increased Pre-Planning Income	(26)
Bus Station Net Cost	43
Empty Homes Scheme	300
Increased Loan Interest	16
Net Interest reduction	60
Change to treatment of MRP	(260)
2021/22 Original Budget	**9,087**

The Minimum Revenue Provision (MRP) movement shown above is a result of a change in the way it is calculated further detail can be found in section 2.4 of the Treasury Management Strategy.

3.8 The budget proposals for 2021/22 onwards are set out below:-

Table 4

Budget Proposals	**2021-22**	**2022-23**	**2023-24**	**2024-25**
	£'000	**£'000**	**£'000**	**£'000**
Whitaker Museum - reduction in support post Lottery bid	0	50	50	50
CLAW - Grant / Efficiencies	0	0	50	50
Trade Waste net increased income	10	20	30	30
Bulky Waste proposed fee increase	13	14	18	18
Operations: increased productivity	20	40	60	60
Household Bin Cleaning	0	5	10	10
Garden Waste enhanced service/growth	50	50	50	50
Environmental Health - Fixed Penalty Income	15	15	15	15
Fees and charges: annual increase by at least inf'n of 2%	7	14	21	28
Staffing and related savings (Vacancy Savings etc)	109	138	138	138
Increased Commercial Rental Income	0	20	20	20
IT Efficiencies	10	20	30	30
Contingency	(50)	(50)	(50)	(50)
Total	**184**	**336**	**442**	**449**

There are some key and challenging projects above, not least: Operations commercial activity/increased productivity and the staffing and related savings. The above proposals include a £50k contingency allowance in case of any delays in implementation.

3.9 **Impact on reserves**

As shown in Table 1, after the implementation of the Cabinet proposals there is still a funding gap. This is shown in the table, below. The table also shows the potential impact on the unringfenced reserves if no further savings/increased income are found:

Table 5

Use of Reserves if no further savings implemented	**£000**	**2020-21 £000**	**2021-22 £000**	**2022-23 £000**	**2023-24 £000**	**2024-25 £000**
Funding gap		**(0)**	**(0)**	**(401)**	**(404)**	**(400)**
Use of Reserves	Opening Balance					
Transitional Reserve	780	0	0	401	379	0
General Fund Reserve	1,000	0	0	0	25	400
Reserve Balance	**1,780**	**1,780**	**1,780**	**1,379**	**975**	**575**

The table demonstrates an annual deficit from 2022/23 onwards. In the immediate period this can be funded through the use of the Transitional reserve and latterly the General Fund reserve.

The total value of the Transitional Reserve was £1.7m at 31st March 2020. In November

2020 Cabinet approved the use of £950k of this reserve to fund the Empty Homes scheme. This is factored into the table above. Wherever possible the Empty Homes expenditure will be capitalised and thus funded from capital receipts or prudential borrowing, this will reduce the call on the Transitional Reserve.

The General Fund reserve is in reality the Council's Minimum Working Balance, this is a requirement of Sections 32 and 43 of the Local Government Finance Act 1992 which requires local authorities to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but legally remain part of the General Fund.

In support of this requirement, and as part of the development of the budget for 2021/22, an assessment has been carried out to establish the minimum level of the General Fund Working Balance for this Council. Based on this assessment it is recommended that the minimum working balance should remain at £1.0m. At this level it represents circa 3% of the Council's gross revenue expenditure.

3.10 Table 5 demonstrates that if no further savings/efficiencies/income generation schemes are implemented by the end of 2024/25 the Transitional Reserve will be exhausted and the General Fund Reserve will have £575k remaining. The figures above do not include any impact that may arise from the 2020/21 close down.

In addition to the above reserves the Council also holds a Local Business Rate Retention reserve. At 31/03/2020 the balance of this reserve was £2,640m. The Business Rate Collection Fund annual surpluses and deficits along with the Small Business Rate Relief Section 31 grants, are set aside in this earmarked reserve to smooth peaks and troughs in the business rate receipts over the life of the forecast. It is estimated that £686k of this reserve will be used in 2020/21. In addition this report requests the use of £606k in 2021/22. The forecast also estimates the use of £200k pa of this reserve from 2022/23 to 2024/25. Further information on reserves can be found in Appendix 2.

4. Council Tax for 2021/22

4.1. Cabinet will make its final recommendation for Full Council to approve on 24th February 2021. Other precepting authorities will announce their Council Tax changes as follows:

- Lancashire County Council – 11th February 2021
- Lancashire Fire & Rescue – 2nd February 2021
- Lancashire Police & Crime Commissioner – 11th February 2021
- Whitworth Town Council – 28th January 2021

4.2. The current Band D Council Tax for 2021/22 and the previous change across Rossendale is as follows:

Table 6

Precepting Body	% Increase	2020/21 Band D £	2021/22 Band D £	Increase £	% Share
Rossendale BC	1.99%	**279.57**	**285.13**	5.56	13.9%
Lancashire County Council *	4.55%	**1,277.69**	**1,341.45**	63.76	65.3%
LCC Adult Social Care *	0.44%	**122.63**	**128.75**	6.12	6.3%
Combined Fire Authority	1.99%	**70.86**	**72.27**	1.41	3.5%
Police & Crime Commissioner	7.09%	**211.45**	**226.45**	15.00	11.0%
Total (Excl' Whitworth)	**4.68%**	**1,962.20**	**2,054.05**	91.85	100.0%
Whitworth Parish Council	0.00%	**25.81**	**25.81**		
Total Whitworth Parish	**4.91%**	**1,988.01**	**2,079.86**		

** percentage increase is based on the total combined tax level*

4.3 Council Tax Base

Despite the number of new homes in the borough increasing by 123, the Council Band D Tax base has decreased by 255 properties - 1.24% to 20,380 Band D equivalents. The reduction is due to the increase in Local Council Tax Support claimants resulting from the Covid pandemic.

The Government has announced funding for lost Council Tax income as a result of the increase in Local Council Tax support claimants, due to Covid. This will be paid directly into the Collection Fund in 2021/22. Any variation through actual billing will be reflected in the Collection Fund. Future estimated increases in the Council Tax have been assumed at 0.5% c102 Band D equivalents. The Local Plan target is 212 pa (albeit there is no Band D equivalent published).

4.4 The draft budget book for 2021/22 (based on the above) is included at Appendix 3. The key assumptions are:

1. Budget estimates:
    a. Annual pay award 2% 2021/22 for staff earning below £24k, 2% pa 2022/23 onwards for all staff – (1% for all staff equates to c.£60k, inclusive of on costs).
    b. An annual staff vacancy saving of £200k pa – a £50k increase (included in Cabinet savings proposals) on previous assumptions.
    c. Pension costs for future service now at 17.6% of gross pay the cost of which is fixed for the three-year period of the Lancashire Pension Fund's Triennial Review. The Council took advantage of the full three-year prepayment option in April 2020.

2. Council tax to increase by 1.99% (previously 1.99% in February 2020) with growth in the tax base of 0.5% pa.

3. The Government's provisional settlement (December 2020) confirmed the NNDR baseline funding and New Homes Bonus payment.

4. NNDR:
    a. The benefits of the 2021/22 pooling arrangement are forecast to contribute a further £1m surplus to reserves of which £541k will be used to support 2021/22 expenditure. This is based on the outcome of previous years and known growth.

b. However, beyond 2021/22 the outlook is extremely uncertain as 2022/23 should see the introduction of the Government's own proposals for the 75% retention of business rates. The MTFS does assume a continued retained gain of £200k pa less than previous assumptions of £1m. Given the Government's previous consultation on business rates retention and the future Fair Funding review, this assumption continues to have some risk as the 2022/23 and future position could be that all or some greater proportion of growth, previously gained over the last 5, years will be taken away from the Council.

5. New Home Bonus legacy payments ceased being earned in 2018 and ends in 2022/23.

4.5. Fees and charges

The annual budget requires that any changes to the Council's fees and charges be approved by members. Unless there is commercial justification not to increase fees or an alternative statutory regulation, the proposal is to increase all fees and charges by the greater of 2% or CPI. This is an increase of 1% on the amount previously approved by the Council. The November 2020 consumer price index published annual inflation at 0.6%. A full list of fees (including previous year comparisons) are included at Appendix 1.

5. Bridging the Council's future funding gap

5.1. The Council continues to face a funding gap for the future. Therefore the Council should continue to give consideration to:

- The future levels of Council Tax
- Maximising the returns from Business Rates revenue
- The Council's ability to support non-statutory activities and partner/community organisations
- The future quality and standard of statutory service provision
- Any future efficiencies within services and ensuring support services are appropriate
- The Council's ability to exploit new commercial and revenue generating opportunities
- Treasury management initiatives and maximising the strength of the Council's balance sheet resources
- Ensuring any contract renewals are to the best advantage of the Council

5.2 **Section 25 report**

As part of the final recommendations to Full Council Section 25 of the Local Government Act (2003) places a requirement on the Chief Financial Officer of each local authority to advise councillors during the budget process on "the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves", which includes a financial resilience statement. This provision is designed to ensure that members have information which will support responsible financial management over the longer term. The full section 25 report can be found at Appendix 2.

6. RISK

In managing the Council's budget the Council is seeking to manage the following larger scale risks.

6.1 **Council Tax:** In setting the 2021/22 budget, members should continue to plan and give due regard to the continued financial challenges over the medium term. In particular, members should be aware of the future implications for the Council's financial resources of any Council Tax freeze or any increase below the Governments' referendum trigger of the higher of £5.00 or 2%.

6.2 **Reserves:** Members should note that the budget proposals include the use of £541k from the Business Rates Retention reserve. The unringfenced reserves are the Transitional and General Fund reserves. The 2021/22 budgets do not include any reliance on the use of these reserves. This is however, a one off over the medium term and is mainly as a result of the Government's delay in implementing a new national 75% NNDR/Business Rates local retention scheme. An ongoing reliance on reserves to manage the medium term budget is unsustainable and this will require the Council to seek future savings and income generation which members will need to support.

6.3 **Resources:** In previous years, financial pressures have been reported namely the impact of the reduction in the annual value of New Homes Bonus (now c. £213k pa from a previous peak of c. £1m pa). 2018/19 was the final year for legacy based NHB calculations. However, the impact of the Fair Funding review and the Business Rates reset now planned for 2021/22 will have an impact on the Vouncil's future resources the size of which is as yet unknown.

6.4 **Funding gap:** The medium term financial forecast indicates an underlying deficit of c.£0.40m (subject to the assumptions noted above and before future savings initiatives). Members must continue to give due consideration as to how they are to bridge this annual deficit going forward, in order to produce legally balanced budgets for the future.

6.5 **NNDR arrangements for 2021/22:** As a result of the Covid pandemic the Government's planned introduction of a new national 75% retention scheme has been further deferred until 2022/23. The arrangements for 2021/22 are therefore the same as 2020/21. The Council remains a member of the Lancashire Business Rates Pool which means the Council retains 40% of all Business Rates income and avoids the direct payment of a 50% levy on any end of year surplus. This is beneficial for the Council's budget position and the Council should continue to lobby for the retention of this model.

6.6 **Fair Funding Review:** As noted above this was due to be published in time for 2021/22 financing arrangements however due to the Covid pandemic this has been postponed. The implications for this Council are in the main the impact on our share of Business Rates and in particular the setting of tariffs and our baseline funding.

6.7 **Pay:** In the Autumn Spending Review the Government announced a one-year pause on public sector pay increases for staff earning over £24k pa. For 2022/23 and beyond the assumptions are set at 2% pa (plus increments). The budget also assumes, as in previous years a saving as a result of natural staff turnover and the vacancy saving this creates. In previous years this has been set at £150k pa, this year Cabinet are proposing to increase this to £200k pa. Whilst this is a challenging target, it is achievable and will be closely monitored.

6.8 **Empty Homes Scheme:** The project continues to have a significant adverse impact on the Council's financial position. In 2020/21 the Council faced several legal claims which have led to the increased budget requirement. The project team continue to closely monitor the scheme, manage the project risks and challenge the claims where possible thereby reducing the scale of the liability, but the scale of this is very limited given the overall scale of both current works and the nature of the property leases. The scheme is due to end in December 2024.

6.9 **Covid-19:** Covid has placed additional challenges on the Council's finances and this is anticipated to continue into 2021/22. The scale of these are unknown and therefore difficult to manage. The Council is likely to suffer from reduced income from Council Tax, Business

Rates and Fees and Charges. The Government has provided the Council with £1.219m in 2020/21 to support continued delivery of services, along with a further £415k promised as part of the 2021/22 funding settlement. The Government has also stated it will cover 75% of the Council's irrecoverable Covid losses in respect of Business Rates, Council Tax and Fees & Charges. In addition the Council has received various grants to deliver specific Covid related services. The scale of future Government Covid funding is largely unknown and if all additional costs are not covered in 2021/22 this would have an adverse impact on the budget.

6.10 **Rossendale Leisure Trust:** Covid has had a significant impact on the leisure/culture sector, severely impacting the Leisure Trust's financial position. The Trust has a level of reserves which has helped cushion the full impact in 2020/21. However, these are now exhausted. There has been limited Government support for leisure trusts. The Trust has received some business grants and has bid for financial support from the National Leisure Recovery fund (although the outcome of this is currently not known). The Council is also proposing to support the Trust with a £100k contribution from the local authority support grant mentioned above. The full scale of the Trust's losses are currently unknown as it is dependent on the length of the pandemic. The Trust and the Council need to continue to work together to control the losses wherever possible. This is a risk for the Council in that it provides the day-to-day cashflow for the Trust, and also in respect of the ongoing delivery of leisure services across the borough. It is critical that the Trust remains financially sustainable and financially independent of the Council.

6.11 **Corporate Risk register:** The register already includes risks around the MTFS, the County Council Budget, Covid-19 and the Leisure Trust. Previous assessment resulted in the MTFS being a "red" risk. In November 2019 the rating was assessed to be "amber". However, it is now recommended that members reconsider the suitability of the current risk rating in light of this current MTFS update and it is proposed to return to "red".

7. FINANCE

7.1 The key financial matters are dealt with throughout this report. The decision to increase Council Tax is a Member decision. In making their decision Members should give consideration of the deficit facing the Council over the medium term. Given the Council's future deficit an increase of 1.99% in Council Tax is strongly recommended by the S.151 officer. Any change to Council Tax below the maximum allowed, has an ongoing and cumulative negative impact on future year resources.

7.2 The Council continues to face a funding gap challenge despite the savings and income generation work already completed this year and in previous years. The Council has a statutory duty to produce annually a balanced budget and it is legally bound to find a solution to the future funding gap. There are also some higher risk assumptions in the forecast. Ultimately the use of reserves to balance the funding gap, although legal, is both finite and financially not a sustainable approach to managing the budget in the long-term.

7.3 Given the 2021/22 cost base and the financial gap over the longer term that the Council needs to continue to develop plans to reduce its net cost base in order to avoid reliance on limited reserves and to deal with the future resource deficit. The key messages for the medium term continue to be:

- Council must continue to increase Council Tax in line with the Government's maximum thresholds
- Council must give further consideration to either reduce costs or increase revenue
- The introduction of the national "75% Business Rates Retention Scheme" as from

2022/23 and the results of the Fair Funding review could materially impact negatively on the council's current share of annual business rates

8. LEGAL

8.1 The Council must calculate and approve its Council Tax Requirement annually for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992). Section 25 of the Local Government Act (2003) also requires the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the Local Government Finance Act 1992. This report discharges this responsibility.

9. POLICY AND EQUALITIES IMPLICATIONS

9.1 The Equality Act (2010) requires the Council to have due regard in the exercising of its functions to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a relevant protected characteristic and those who do not share it. Equality impact assessments will be carried out where necessary on any savings proposal. The duty to inform, consult or involve requires that the Council must involve communities and those directly affected at the most appropriate and proportionate level in 'routine functions, in addition to one-off decisions.' Consultation took place with:

- Cabinet and Management Team - December 2020
- Members - December and January 2021
- Public (via the Council's website) – January 2021
- Overview & Scrutiny - 1 February 2021

10. CONCLUSIONS

10.1 The financial position for the Council, like all local authorities, is challenging. The Council is proposing to set a revenue budget for 2021/22 of £8.903m.

There are a number of significant risks outside the Council's control which remain a major concern: Covid, the uncertainty of the Fair Funding Review and the Business Rates scheme from 2022/23 onwards, also the still unknown impact of Brexit. The Council must remain focused on identifying and delivering further savings and income in order to ensure annual balanced budgets over the immediate and medium term. It must also ensure that all its budget resource allocations are directed to the core functions of the Council and that the use of its resources drives the delivery of the Council's Corporate Plan priorities.

Background Papers	
Document	**Place of Inspection**
Previous updates to the MTFS	Rossendale Borough Council website
Government's Financial Settlement	DCLG website

Appendix 1

Rossendale
BOROUGH COUNCIL

Rossendale Borough Council

Fees and Charges for 2021/22

Council may from time to time revise fees and charges partway through a financial year

Trade Waste

Trade Waste

Cost per annum one pick up a week

size of bin	2020/21 Charge	2021/22 Charge
140ltr	£173.90	£173.90
240ltr	£294.20	£294.20
500ltr	£561.00	£561.00
660ltr	£740.70	£740.70
770ltr	£886.50	£886.50
1100ltr	£996.10	£996.10

Schools/ Charities

Cost per annum one pick up a fortnight

size of bin	2020/21 Charge	2021/22 Charge
55 - 140ltr Bin, Bag or Box	£75.20	£75.20
240ltr	£127.20	£127.20
500ltr	£242.10	£242.10
660ltr	£319.40	£319.40
770ltr	£382.50	£382.50
1100ltr	£429.00	£429.00

Trade Recycling

Cost per annum - fornightly collection

size of bin	2020/21 Charge	2021/22 Charge
55 - 140ltr Bin, Bag or Box	£35.30	£35.30
240ltr	£60.90	£60.90
500ltr	£116.10	£116.10
660ltr	£152.60	£152.60
770ltr	£182.60	£182.60
1100ltr	£204.70	£204.70

Sacks etc

	2020/21 Charge	2021/22 Charge
Grey Sacks (includes VAT) (50 pack)	£120.00	£123.30
Blue Sacks (50 pack)	£35.40	£36.40
Aqua Sacks (50 pack)	£35.40	£36.40

Bulky Collections

Bulky Collection Charges	**2020/21**	**2021/22**
1 item (furniture and electrical items)	£14.20	£15.50
2 items (furniture and electrical items)	£20.40	£22.50
3 items (furniture and electrical items)	£26.50	£29.50
4 items (furniture and electrical items)	£32.60	£36.50
5 items (furniture and electrical items)	£38.70	£43.50
6 items (furniture and electrical items)	£44.80	£50.50
7 items (furniture and electrical items)	£50.90	£57.50
8 items (furniture and electrical items)	£57.00	£64.50
9 items (furniture and electrical items)	£63.10	£71.50
10 items (furniture and electrical items)	£69.20	£78.50
Price per additional item	£6.10 per item thereafter	£7.00 per item thereafter
Bins & Sacks	**2020/21**	**2020/21**
Green Bins	£28.60	£29.50
	2020/21	**2020/21**
Garden Waste (yearly fee)	£35.00	£40.00

No charges for the following Bins
Blue - Glass, Cans & Plastics
Grey - Paper & Cardboard

Parks and Playing Fields

	2020/21	2021/22
Letting of Sites (Per Day)		
Moorlands Park	£201.40	205.40
Stubbylee Park	£201.40	205.40
Victoria Park	£201.40	205.40
Maden Recreation Ground	£201.40	205.40
New Hall Hey Bacup Cricket Ground - Property Services	£201.40	205.40
Fairview	£201.40	205.40
All Other Playing Fields	£102.90	105.00

Parks and Playing Fields

	2020/21	2021/22
Allotments		
Tenancy agreement	£22.90	23.36
pr 100 sq. m.	£32.90	33.56
Sale of Logs and Woodchip		
Car / Small van	£11.00	11.22
Large Van	£21.90	22.34
with trailer add	£11.00	11.22
Memorials / Dedications		
Trees		
Standard option	£196.00	199.92
Own selected species	Price on Application	
Benches		
Standard	£818.00	834.36
Ornate	£996.30	1,016.23

Cemeteries

	2020-21 Charges	2021-22 Charges
Purchase of right of burial in numbered grave space	£1,044.30	£1,065.20
Purchase of right of burial in numbered grave space (outside of the Borough)	£1,240.70	£1,265.50
Transfer of Grant	£61.50	£62.70
Right to fix a headstone or monument		
Headstone	£190.00	£193.80
Inscriptions	£51.10	£52.10
Vase / Plinth and Tablets	£87.50	£89.30
Interments		
Earth Grave & Grave Dressing (resident of the Borough)	£842.10	£858.90
Earth Grave & Grave Dressing (non resident of the Borough)	£1,031.50	£1,052.10
Vault – Constructions costs + 5% **(+ VAT)**	£1,031.50	£1,052.10
Vault – Interments	£855.70	£872.80
Vault – Interments (non resident of the Borough)	£935.50	£954.20
Interment of Ashes	£198.10	£202.10
Interment of ashes (non resident of the borough)	£212.80	£217.10
Scattering of Ashes	£39.00	£39.80
Bricking of grave to coffin height (additional fee)	£172.00	£175.40
Ashes Chambers (Rawtenstall, Bacup & Haslingden)		
Purchase of Exclusive Right of Burial in Chamber	£650.60	£663.60
Interment of ashes in chamber	£228.30	£232.90
Miscellaneous Charges		
Copy of Regulations and Charges	£6.70	£6.80
Search Fee	£34.50	£35.20
Duplicate Grave Deed	£58.30	£59.50
Use of Chapel	£142.80	£145.70
Garden of Remembrance / Whitworth		
Reserving Space	£30.10	£30.70
Interment of Ashes	£45.40	£46.30
Headstone in above.	£53.60	£54.70
Supply of Engraved Plaque (excluding VAT)	£138.60	£141.40
Supply of Memorial Tree	£341.90	£348.70
New Bench including Plaque	£1,005.80	£1,025.90

Environmental Health

Item	2020/21 Charge	2021/22 Charge
Food Safety		
Export Certificate	**£53.60**	**£54.70**
Re-inspections of business operators for food hygeine rating	**£146.00**	**£148.90**
Private water supplies - Risk Assessment	**£40.00** per hour or any part there of, plus £10 per invoiced Household	**£41.10** per hour or any part there of, plus £10 per invoiced Household
Private water supplies - Sampling	**£40.00** per hour or any part there of	**£41.10** per hour or any part there of
Private water supplies - Investigation	**£40.00** per hour or any part there of	**£41.10** per hour or any part there of
Private water supplies - Granting Authorisation	**£40.00** per hour or any part there of	**£41.10** per hour or any part there of
Private water supplies - Analysing a sample under Regulation 10	**Laboratory Charges** plus **£40.00** per hour	**Laboratory Charges** plus **£41.10** per hour
Private water supplies - Analysing a check monitoring sample	**Laboratory Charges** plus **£40.00** per hour	**Laboratory Charges** plus **£41.10** per hour
Private water supplies - Analysing an audit monitoring sample	**Laboratory Charges** plus **£40.00** per hour	**Laboratory Charges** plus **£41.10** per hour
Health & Safety		
Skin Piercing - premises	**£142.40**	**£145.20**
Skin Piercing - persons	**£142.40**	**£145.20**
Factual report to solicitors / injured person	**£203.80**	**£207.90**

Environmental Health

Item	2020/21 Charge	2020/21 Charge
Pollution Health & Housing		
LAPC & LAPPC Fees	**As Prescribed**	**As Prescribed**
Environmental Information Regulation enquires	**£87.50** per hour (minimum 1 hour)	**£89.90** per hour (minimum 1 hour)
List of permitted processes	**£53.60**	**£54.70**
Enquires related to public register of permitted processes	**£87.50** per hour (minimum 1 hour)	**£89.90** per hour (minimum 1 hour)
Contaminated Land Enquires	**£87.50** (1st hour), **£43.40** (per additional half hour)	**£89.90** (1st hour), **£44.60** per additional half hour)
Any Default works	**Hourly rate of officer involved + 16.30% of external works costs** (min £15 and max £500 per household)	**Hourly rate of officer involved + 16.30% of external works costs** (min £15 and max £500 per household)
UK House inspections	**£108.40**	**£110.60**
HMO License	**New Application Part A £719.70 Part B £279.50 Renewal Part A £700.70 Part B £279.50**	**New Application Part A £719.70 Part B £279.50 Renewal Part A £700.70 Part B £279.50**

Housing Act 2004 Notices not including Variations and Revocations	**Up to Statutory Maximum of £500**	**Up to Statutory Maximum of £500**
Housing Act 2004 Revocation or Variation of Notice	Officer Time at £40.00 per hour	Officer Time at £41.10 per hour
The Smoke and Carbon Monoxide Alarm (England) Regulations 2016 Penalty Charge (not exceeding £5000) Reg 8	First offence £2,500 (reduced to £1,250 if paid early). Second offence £5,000 (reduced to £2,500 if paid early). Any other offence £5,000 with no reductions.	First offence £2,500 (reduced to £1,250 if paid early). Second offence £5,000 (reduced to £2,500 if paid early). Any other offence £5,000 with no reductions.
Scrap Metal		
Dealers 3 year Licence	**£379.40**	**£387.00**
Mobile Collections 3 year Licence	**£271.00**	**£276.40**
Variations	**£54.10**	**£55.20**
Replacement licences	**£43.40**	**£44.30**

Animal Welfare

Item	Application Fee	Licence Fee	2020/21 Charge	2021/22 Charge	NOTES
Keeping or Training Animals for exhibition	£116.00	£264.00	**£380.00**	**£380.00**	
Selling animals as Pets	£116.00	£264.00	**£380.00**	**£380.00**	
Doggy Day Care	£116.00	£264.00	**£380.00**	**£380.00**	
Hiring out Horses	£148.00	£271.00	**£419.00**	**£419.00**	Additional vet fees apply and charged separately prior to issue of licence
Dog Breeding	£148.00	£271.00	**£419.00**	**£419.00**	Additional vet fees apply and charged separately prior to issue of licence
Dog Breeding	£176.00	£285.00	**£461.00**	**£461.00**	Additional vet fees apply and charged separately prior to issue of licence
Boarding for cats	£116.00	£264.00	**£380.00**	**£380.00**	
Boarding dogs in kennels	£116.00	£264.00	**£380.00**	**£380.00**	
Home Boarders (Single Dwelling)	£106.00	£278.00	**£384.00**	**£384.00**	
Arranging boarding/day care where agent not	£240.00	£278.00	**£518.00**	**£518.00**	
Additional fee for every 1 host	£53.00	£29.00	**£82.00**	**£82.00**	
Arranging boarding/day care where Host has to	£293.00	£278.00	**£571.00**	**£571.00**	
Add additional activity to existing licence	£85.00		**£85.00**	**£85.00**	
Licence issue (copy licence or following	£13.00		**£13.00**	**£13.00**	
Appeal Fee	£79.00		**£79.00**	**£79.00**	£43 refunded if appeal results in a higher star rating
Re-score Request	£60.00		**£60.00**	**£60.00**	
Missed vet or inspector appointment fee	£50.00		**£50.00**	**£50.00**	Where appointment arranged but inspection cannot be undertaken for any reason
Zoo Licence	£179.00	£179.00	**£358.00**	**£358.00**	Additional vet fees apply and charged separately prior to issue of licence
Dangerous Wild Animals Licence	£75.00	£74.00	**£149.00**	**£149.00**	Additional vet fees apply and charged separately prior to issue of licence

Taxi Licensing

	2020-21 Charges	2021-22 Charges
Hackney Carriage Driver Licence (Renewal)	185.00	185.00
Hackney Carriage Driver New Licence	185.00	185.00
Hackney Carriage Vehicle Licences	140.00	140.00
Hackney Carriage Vehicle License (Renewal)	140.00	140.00
Private Hire Vehicle Licence	140.00	140.00
Private Hire Vehicle Licence (Renewal)	140.00	140.00
Private Hire Driver Licence	185.00	185.00
Private Hire New Driver License	185.00	185.00
Private Hire Operators License	300.00	300.00
Private Hire Operators License (Renewal)	300.00	300.00
Re-booking Fee	35.00	35.00
Basic Skills Assessment / Policy Knowledge Test	70.00	70.00

Gambling Act Licences

Activity	2020-21 Charge	2021-22 Charge
Bingo Hall – New Licence	1,885.00	1,885.00
Bingo Hall – Non Fast Track	1,540.00	1,540.00
Bingo Hall – Fast Track	274.00	274.00
Bingo Hall – Annual Fee	1,000.00	1,000.00
Bingo Hall – Variations	631.00	631.00
Bingo Hall – Reinstatement of Licence	1,110.00	1,110.00
Bingo Hall – Provisional statement	1,133.00	1,133.00
Bingo Hall – Transfer	567.00	567.00
Betting Shop – New Application	1,681.00	1,681.00
Betting Shop – Non Fast Track	1,485.00	1,485.00
Betting Shop – Fast Track	300.00	300.00
Betting Shop – Annual Fee	600.00	600.00
Betting Shop – Variations	631.00	631.00
Betting Shop – Reinstatement	1,100.00	1,100.00
Betting Shop – Provisional Statement	1,133.00	1,133.00
Betting Shop – Transfer	567.00	567.00
Adult Gaming Centre – New Application	1,335.00	1,335.00
Adult Gaming Centre – Non Fast Track	1,000.00	1,000.00
Adult Gaming Centre – Fast Track	274.00	274.00
Adult Gaming Centre – Annual Fee	1,000.00	1,000.00
Adult Gaming Centre – Variations	631.00	631.00
Adult Gaming Centre – reinstatement of licence	1,110.00	1,110.00
Adult Gaming Centre – provisional licence	1,133.00	1,133.00
Adult Gaming Centre – transfer	567.00	567.00
Family Entertainment Centre – New Application	1,327.00	1,327.00
Family Entertainment Centre – Non Fast Track	1,000.00	1,000.00
Family Entertainment Centre – Fast Track	300.00	300.00
Family Entertainment Centre – Annual Fee	750.00	750.00
Family Entertainment Centre – Variations	750.00	750.00
Family Entertainment Centre – reinstatement of licencer	950.00	950.00
Family Entertainment Centre – provisional statement	1,133.00	1,133.00
Family Entertainment Centre – Transfer	567.00	567.00

Premises Liquor Licences

The cost premises licences are determined in accordance with the Licensing Act 2003 and the regulations made therein. Local Authorities have no discretion in this matter.

Rateable Value	Band
Rateable < £4,300	A
£4,300 to £33,000	B
£33,001 to £87,000	C
£87,001 to £125,000	D
£125,001 and above	E

License	Description		2020/21 Charge	2021-22 Charge
Premises Licence - Alcohol Band A	New		100.00	100.00
Premises Licence - Alcohol Band B	New		190.00	190.00
Premises Licence - Alcohol Band C	New		315.00	315.00
Premises Licence - Alcohol Band D	New		450.00	450.00
Premises Licence - Alcohol Band E	New		635.00	635.00
Premises Licence - NO Alcohol Band A	New		100.00	100.00
Premises Licence - NO Alcohol Band B	New		190.00	190.00
Premises Licence - NO Alcohol Band C	New		315.00	315.00
Premises Licence - NO Alcohol Band D	New		450.00	450.00
Premises Licence - NO Alcohol Band E	New		635.00	635.00
Club Premiese Certificate - Alcohol Band A	New		100.00	100.00
Club Premiese Certificate - Alcohol Band B	New		190.00	190.00
Club Premiese Certificate - Alcohol Band C	New		315.00	315.00
Club Premiese Certificate - Alcohol Band D	New		450.00	450.00
Club Premiese Certificate - Alcohol Band E	New		635.00	635.00
Club Premiese Certificate - NO - Alcohol Band A	New		100.00	100.00
Club Premiese Certificate - NO - Alcohol Band B	New		190.00	190.00
Club Premiese Certificate - NO - Alcohol Band C	New		315.00	315.00
Club Premiese Certificate - NO - Alcohol Band D	New		450.00	450.00
Club Premiese Certificate - NO - Alcohol Band E	New		635.00	635.00
Premises Licence - Alcohol Band A	Annual Fee		70.00	70.00
Premises Licence - Alcohol Band B	Annual Fee		180.00	180.00
Premises Licence - Alcohol Band C	Annual Fee		295.00	295.00
Premises Licence - Alcohol Band D	Annual Fee		320.00	320.00
Premises Licence - Alcohol Band E	Annual Fee		`	`
Premises Licence - NO Alcohol Band A	Annual Fee		70.00	70.00
Premises Licence - NO Alcohol Band B	Annual Fee		180.00	180.00
Premises Licence - NO Alcohol Band C	Annual Fee		295.00	295.00
Premises Licence - NO Alcohol Band D	Annual Fee		320.00	320.00
Premises Licence - NO Alcohol Band E	Annual Fee		350.00	350.00
Copy premises license or summary	Section 25		10.50	10.50
Provisional Statement	Sectio 29		315.00	315.00
Notification of Change of Name or address - premise license	Section 33		10.50	10.50
Variation of DPS	Section 37		23.00	23.00
Transfer Premises License	Section 42		23.00	23.00
Interim Authoirty Notice	Section 47		23.00	23.00
Copy club premises certificate or summary	Section 79		10.50	10.50
Notification of Change of Name or alteration of rules	Section 82		10.50	10.50
Change of registered address of club	Section 83		10.50	10.50
Temporary Event Notice	Section 100		21.00	21.00
Copy Temporary Event Notice	Section 100		10.50	10.50
Personal Licence	New		37.00	37.00
Personal Licence	Renewal		37.00	37.00
Copy personal license	Section 126		10.50	10.50
Notification of change of name or address - personal license	Section 127		10.50	10.50
Notification of interest	Section 178		21.00	21.00

Street Trading

Licence	Details	2020-21 Charge	2021-22 Charge	Notes
Street Trading Consent - 12 mth consent	New	76.50	78.00	Application Fee. A further £275 will be charged for issue of consent (below)
Street Trading Consent - 12 mth consent	New	280.00	285.60	Issue fee
Street Trading Consent - 12 mth consent	Renewal	356.00	363.10	
Street Trading Consent - 14 day consent	New	76.50	78.00	Fee is not payable if the consent is a community event (as determined by the licencing manager)
Variation of Street Trading Consent	Variation	0.00	0.00	
Change of personal details		0.00	0.00	
Change in employee details		0.00	0.00	
Copy of street trading consent		0.00	0.00	

Second Hand Goods Dealers Fees

Licence	Details	2020-21 Charge	2021-22 Charge
Second hand Goods Dealer Registration	Registration	76.50	78.00
Copy registration certificate	Copy	0.00	0.00

Other

Licence	Details	2020-21 Charge	2021-22 Charge
Sex Shop	New	1,780.00	1,815.60

Planning Applications

The planning application costs are determined in accordance with the Town and Country Planning Regulations 2012. Local Authorities have no discretion in this matter.

All Outline Applications		**2020-21 Charges**	**20% fixing broken Hsg Mrkt element**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt element**
Site Area	Not more than 2.5 hectares	£462 per 0.1 hectare	£77	£462 per 0.1 hectare	£77
Site Area up to a maximum fee of £150,000	More than 2.5 hectares	£11,432 + £138 per 0.1 hectare	£1905 + £23	£11,432 + £138 per 0.1 hectare	£1905 + £23
Householder Applications		**2020-21 Charges**	**20% fixing broken Hsg Mrkt element**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt element**
Alterations/extensions to a **single dwelling,** including works within boundary	Single dwelling (excluding flats)	£206	£34	£206	£34
Full Applications (and First Submissions of Reserved Matters)		**2020-21 Charges**	**20% fixing broken Hsg Mrkt element**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt element**
Erection of dwellings					
Permission in Principle		£402 for each 0.1 hectare		£402 for each 0.1 hectare	
Alterations/extensions to **two or more dwellings**, including works within boundaries	Two or more dwellings (or one or more flats)	£407	£68	£407	£68
New dwellings (up to and including 50)	New dwellings (not more than 50)	£462 per dwelling	£77	£462 per dwelling	£77
New dwellings (for *more* than 50) up to a maximum fee of £300,000	New dwellings (more than 50)	£22,859 + £138 per additional dwelling	£3810 + £23	£22,859 + £138 per additional dwelling	£3810 + £23
Erection of buildings (not dwellings, agricultural, glasshouses, plant nor machinery):					
Increase of floor space	No increase in gross floor space or no more than 40m²	£234	£39	£234	£39
Increase of floor space	More than 40m² but no more than 75m²	£462	£77	£462	£77
Increase of floor space	More than 75m² but no more than 3,750m²	£462 for each 75m² or part thereof	£77	£462 for each 75m² or part thereof	£77
Increase of floor space	More than 3,750m²	£22,859 + £138 for each additional 75m² in excess of 3750 m² to a maximum of £300,000	£3810 + £23	£22,859 + £138 for each additional 75m² in excess of 3750 m² to a maximum of £300,000	£3810 + £23
The erection of buildings (on land used for agriculture for agricultural purposes)					
Site area	Not more than 465m²	£96	£16	£96	£16
Site area	More than 465m² but not more than 540m²	£462	£77	£462	£77
Site area	More than 540m² but not more than 4,215m²	£462 for first 540m² + £462 for each 75m² (or part	£77 + £77	£462 for first 540m² + £462 for each 75m² (or part	£77 + £77
Site area	More than 4,215m²	£22,859 + £138 for each 75m² (or part thereof) in excess of 4,215m² up to a maximum of £300,000	£3810 + £23	£22,859 + £138 for each 75m² (or part thereof) in excess of 4,215m² up to a maximum of £300,000	£3810 + £23
Erection of glasshouses (on land used for the purposes of agriculture)		**2020-21 Charges**	**20% fixing broken Hsg Mrkt element**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt element**
Floor space	Not more than 465m²	£96	£16	£96	£16
Floor space	More than 465m²	£2,580	£430	£2,580	£430
Erection/alterations/replacement of plant and machinery					
Site area	Not more than 5 hectares	£462 for each 0.1 hectare (or part thereof)	£77	£462 for each 0.1 hectare (or part thereof)	£77
Site area	More than 5 hectares	£22,859 + additional £138 for each 0.1 hectare (or part thereof) in excess of 5 hectares to a maximum of	£3810 + £23	£22,859 + additional £138 for each 0.1 hectare (or part thereof) in excess of 5 hectares to a maximum of	£3810 + £23
Applications other than Building Works		**2020-21 Charges**	**20% fixing broken Hsg Mrkt**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt**

Planning Applications

Car parks, service roads or other accesses	For existing uses	£234	£39	£234	£39
Waste (Use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals)					
Site area	Not more than 15 hectares	£234 for each 0.1 hectare (or part	£39	£234 for each 0.1 hectare (or part	£39
Site area	More than 15 hectares	£34,934 + £138 for each 0.1 hectare (or part thereof) in excess of 15	£5822+ £23	£34,934 + £138 for each 0.1 hectare (or part thereof) in excess of 15	£5822+ £23
Operations connected with exploratory drilling for oil or natural gas					
Site area	Not more than 7.5 hectares	£508 for each 0.1 hectare (or part	£123	£508 for each 0.1 hectare (or part	£123
Site area	More than 7.5 hectares	£36,070 + additional £151 for each 0.1 hectare (or part thereof) in excess of 7.5 hectares up to a	£7320 + £36	£36,070 + additional £151 for each 0.1 hectare (or part thereof) in excess of 7.5 hectares up to a	£7320 + £36
Other operations (winning and working of minerals)					
Site area	Not more than 15 hectares	£234 for each 0.1 hectare (or part	£39	£234 for each 0.1 hectare (or part	£39
Site area	More than 15 hectares	£34,934 + additional £138 for each 0.1 in excess of 15 hectare up to a maximum of £78,000	£5822 + £23	£34,934 + additional £138 for each 0.1 in excess of 15 hectare up to a maximum of £78,000	£5822 + £23
Other operations (not coming within any of the above categories)					
Site area	Any site area	£234 for each 0.1 hectare (or part thereof) up to a maximum of £2,028	£39	£234 for each 0.1 hectare (or part thereof) up to a maximum of £2,028	£39
Lawful Development Certificate		**2020-21 Charges**	**20% fixing broken Hsg Mrkt element**	**2021-22 Charges**	**20% fixing broken Hsg Mrkt element**
LDC – Existing Use - in breach of a planning condition		Same as Full		Same as Full	
LDC – Existing Use LDC - lawful not to comply with a particular condition		£234	£39	£234	£39
LDC – Proposed Use		Half the normal planning fee.		Half the normal planning fee.	
Reserved Matters					
Application for approval of reserved matters following outline approval		Full fee due or if full fee already paid then £462 due	£77	Full fee due or if full fee already paid then £462 due	£77
Approval/Variation/discharge of condition					
Application for removal or variation of a condition following grant of planning permission		£234	£39	£234	£39
Application relates to planning permission for development already carried out (Section 73A)		£234	£39	£234	£39
Request for confirmation that one or more planning conditions have been complied with		£34 per request for Householder otherwise £116 per request	£6 and £19	£34 per request for Householder otherwise £116 per request	£6 and £19
Change of Use of a building to use as one or more separate dwellinghouses, or other cases					
Number of Dwellings	Not more than 50 dwellings	£462 for each	£77	£462 for each	£77
Number of Dwellings	More than 50 dwellings	£22,859 + £138 for each in excess of 50 up to a maximum of £300,000	£3810 + £23	£22,859 + £138 for each in excess of 50 up to a maximum of £300,000	£3810 + £23
Other Changes of Use of a building or land		£462	£77	£462	£77
Advertising					
Relating to the business on the premises		£132	£22	£132	£22
Advance signs which are not situated on or visible from the site, directing the public to business		£132	£22	£132	£22
Other advertisements		£462	£77	£462	£77

Prior Approval					
Agricultural and Forestry buildings & operations or demolition of buildings		£96	£16	£96	£16

Planning Applications

Telecommunications Code Systems Operators		£462	£77	£462	£77
Proposed Change of Use to State Funded School or Registered Nursery		£96	£16	£96	£16
Proposed Change of Use of Agricultural Building to a State-Funded School or Registered Nursery		£96	£16	£96	£16
Proposed Change of Use of Agricultural Building to a flexible use within Shops, Financial and Professional services, Restaurants and Cafes, Business, Storage or Distribution, Hotels, or Assembly or Leisure		£96	£16	£96	£16
Proposed Change of Use of a building from Office (Use Class B1) Use to a use falling within Use Class C3 (Dwellinghouse)		£96	£16	£96	£16
Proposed Change of Use of Agricultural Building to a Dwellinghouse (Use Class C3), where there are no Associated Building Operations		£96	£16	£96	£16
Proposed Change of Use of Agricultural Building to a Dwellinghouse (Use Class C3), and Associated Building Operations		£206	£34	£206	£34
Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a Mixed Retail and Residential Use to a use falling within Use Class C3 (Dwellinghouse), where there are no Associated Building Operations		£96	£16	£96	£16
Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a Mixed Retail and Residential Use to a use falling within Use Class C3 (Dwellinghouse), and Associated Building Operations		£206	£34	£206	£34
Notification for Prior Approval for a Change Of Use from Storage or Distribution Buildings (Class B8) and any land within its curtilage to Dwellinghouses (Class C3)		£96	£16	£96	£16
Notification for Prior Approval for a Change of Use from Amusement Arcades/Centres and Casinos, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3)		£96	£16	£96	£16
Notification for Prior Approval for a Change of Use from Amusement Arcades/Centres and Casinos, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3), and Associated Building Operations		£206	£34	£206	£34
Notification for Prior Approval for a Change of Use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to Restaurants and Cafés (Class A3)		£96	£16	£96	£16
Notification for Prior Approval for a Change of Use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to Restaurants and Cafés (Class A3), and Associated Building Operations		£206	£34	£206	£34
Notification for Prior Approval for a Change of Use from Shops (Class A1) and Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops (Sui Generis Uses) to Assembly and Leisure Uses (Class D2)		£96	£16	£96	£16

Application for a Non-material Amendment Following a Grant of Planning Permission					
Applications in respect of householder developments		**34**	**6**	**34**	**6**
Applications in respect of other developments		**234**	**39**	**234**	**39**

Local Authority Involvement in High Hedge Complaints					
High Hedge Complaint		**500**		**500**	

Building Control - Table A

New Build - Houses 2020-21

Standard Charge for New Housing (up to 300m2 Floor Area including flats and maisonettes but not conversions)

No of Dwellings	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
1	233.33	46.67	**280.00**	650.00	130.00	**780.00**	1,060.00	212.00	**1,272.00**
2	308.33	61.67	**370.00**	775.00	155.00	**930.00**	1,300.00	260.00	**1,560.00**
3	341.67	68.33	**410.00**	910.00	182.00	**1,092.00**	1,502.00	300.40	**1,802.40**
4	408.33	81.67	**490.00**	1,050.00	210.00	**1,260.00**	1,750.00	350.00	**2,100.00**
5	491.67	98.33	**590.00**	1,200.00	240.00	**1,440.00**	2,030.00	406.00	**2,436.00**

Standard Charge for New Housing (Floor Area between 301m2 and 700m2)

	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
Single Dwelling with Floor Area between 301m2 and 500m2	270.83	54.17	**325.00**	733.33	146.67	**880.00**	1,205.00	241.00	**1,446.00**
Single Dwelling with Floor Area between 501m2 and 700m2	270.83	54.17	**325.00**	945.83	189.17	**1,135.00**	1,460.00	292.00	**1,752.00**

Please note for more than 5 Dwelling or if the floor area of a dwelling exceeds 700m2 the charge is individually determined

All the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered competent person scheme, if this is not the case an additional charge may apply

Building Control - Table A

New Build - Houses 2021-22

Standard Charge for New Housing (up to 300m2 Floor Area including flats and maisonettes but not conversions)

No of Dwellings	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
1	233.33	46.67	**280.00**	650.00	130.00	**780.00**	1,060.00	212.00	**1,272.00**
2	308.33	61.67	**370.00**	775.00	155.00	**930.00**	1,300.00	260.00	**1,560.00**
3	341.67	68.33	**410.00**	910.00	182.00	**1,092.00**	1,502.00	300.40	**1,802.40**
4	408.33	81.67	**490.00**	1,050.00	210.00	**1,260.00**	1,750.00	350.00	**2,100.00**
5	491.67	98.33	**590.00**	1,200.00	240.00	**1,440.00**	2,030.00	406.00	**2,436.00**

Standard Charge for New Housing (Floor Area between 301m2 and 700m2)

	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
Single Dwelling with Floor Area between 301m2 and 500m2	270.83	54.17	**325.00**	733.33	146.67	**880.00**	1,205.00	241.00	**1,446.00**
Single Dwelling with Floor Area between 501m2 and 700m2	270.83	54.17	**325.00**	945.83	189.17	**1,135.00**	1,460.00	292.00	**1,752.00**

Please note for more than 5 Dwelling or if the floor area of a dwelling exceeds 700m2 the charge is individually determined

All the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered competent person scheme, if this is not the case an additional charge may apply

Building Control - Table B

Charges for small buildings, extensions and alterations to dwellings 2020/21
Valid for applications received between 01/04/2020 & 31/03/2021

Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total	Building Notice Fee	VAT	Building Notice Total
Category 1: Extensions to Dwellings									
Extension Internal Floor area not exceeding 10m2	327.50	65.50	**393.00**	inc	inc	**inc**	393.00	78.60	**471.60**
Extension Internal Floor Area over 10m2 but not exceeding 40m2	166.67	33.33	**200.00**	310.00	62.00	**372.00**	572.00	114.40	**686.40**
Extension Internal Floor Area over 40m2 but not exceeding 60m2	166.67	33.33	**200.00**	443.33	88.67	**532.00**	732.00	146.40	**878.40**
Extension - Internal Floor Area over 60m2 but not exceeding 80m2	166.67	33.33	**200.00**	577.00	115.40	**692.40**	892.40	178.48	**1070.88**
Category 2 - Garages & Carports Erection or Extension of a detached or attached building or extension to a dwelling									
Which consists of a garage, carport or both; having a floor area not exceeding 40m2 in total and is intended to be used in common with an existing building	251.67	50.33	**302.00**	inc	inc	**inc**	302.00	60.40	**362.40**
The conversion of an attached garage into a habitable room	221.67	44.33	**266.00**	inc	inc	**inc**	266.00	50.00	**316.00**
Where the Garage extension exceeds a floor area of **40m2** but does not exceed 60m2	361.67	72.33	**434.00**	inc	inc	**inc**	434.00	86.80	**520.80**
Category 3: Loft Conversation and Dormers Formation of a room in a roof space, including means of access thereto. Fees for lofts greater than 40m2 are to be based on the cost of work. The Fee cannot be less than shown below									
Without a dormer but not exceeding 40m2 in floor area	335.00	67.00	**402.00**	inc	inc	**inc**	402.00	80.40	**482.40**
With a dormer but not exceeding 40m2 in floor area	166.67	33.33	**200.00**	276.67	55.33	**332.00**	532.01	106.40	**638.41**

Where the extension to the dwelling exceeds 80m2 in floor area, the charge is based on the estimated cost in Table E, subject to the sum of the plan charge and inspection charge being not less than £761.67 (excluding VAT). The total estimated cost of the work must therefore be at least £50,001.

Note: All the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered Competent Person Scheme, if this is not the case an additional charge may apply.

Building Control - Table B

Charges for small buildings, extensions and alterations to dwellings 2021/22
Valid for applications received between 01/04/2020 & 31/03/2021

Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total	Building Notice Fee	VAT	Building Notice Total
Category 1: Extensions to Dwellings									
Extension Internal Floor area not exceeding 10m2	327.50	65.50	**393.00**	inc	inc	**inc**	393.00	78.60	**471.60**
Extension Internal Floor Area over 10m2 but not exceeding 40m2	166.67	33.33	**200.00**	310.00	62.00	**372.00**	572.00	114.40	**686.40**
Extension Internal Floor Area over 40m2 but not exceeding 60m2	166.67	33.33	**200.00**	443.33	88.67	**532.00**	732.00	146.40	**878.40**
Extension - Internal Floor Area over 60m2 but not exceeding 80m2	166.67	33.33	**200.00**	577.00	115.40	**692.40**	892.40	178.48	**1070.88**
Category 2 - Garages & Carports Erection or Extension of a detached or attached building or extension to a dwelling									
Which consists of a garage, carport or both; having a floor area not exceeding 40m2 in total and is intended to be used in common with an existing building	251.67	50.33	**302.00**	inc	inc	**inc**	302.00	60.40	**362.40**
The conversion of an attached garage into a habitable room	221.67	44.33	**266.00**	inc	inc	**inc**	266.00	50.00	**316.00**
Where the Garage extension exceeds a floor area of **40m2** but does not exceed 60m2	361.67	72.33	**434.00**	inc	inc	**inc**	434.00	86.80	**520.80**
Category 3: Loft Conversation and Dormers Formation of a room in a roof space, including means of access thereto. Fees for lofts greater than 40m2 are to be based on the cost of work. The Fee cannot be less than shown below									
Without a dormer but not exceeding 40m2 in floor area	335.00	67.00	**402.00**	inc	inc	**inc**	402.00	80.40	**482.40**
With a dormer but not exceeding 40m2 in floor area	166.67	33.33	**200.00**	276.67	55.33	**332.00**	532.01	106.40	**638.41**

Where the extension to the dwelling exceeds 80m2 in floor area, the charge is based on the estimated cost in Table E, subject to the sum of the plan charge and inspection charge being not less than £761.67 (excluding VAT). The total estimated cost of the work must therefore be at least £50,001.

Note: All the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered Competent Person Scheme, if this is not the case an additional charge may apply.

Building Control - Table C

Standard Charges for Alterations to Dwellings 2020/21

Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total	Building Notice Fee	VAT	Building Notice Total	Regularisation
Installation of Replacement windows and doors in a dwelling where the number of windows / doors does not exceed 20							70.00	14.00	**84.00**	
Installation of Replacement windows and doors in a dwelling where the number of windows / doors does not exceed 20 (retrospective)								0.00		**109.00**
Underpinning with a total cost not exceeding £30,000	253.33	50.67	**304.00**	inc	inc	**inc**	304.00	60.80	**364.80**	
Controlled Electrical Work to a single dwelling (not carried out in conjunction with work being undertaken that falls within Table B)	225.00	45.00	**270.00**	inc	inc	**inc**	270.00	54.00	**324.00**	
Renovation of a thermal element i.e. Work involving recovering of a roof, replacement of a floor or ronovation of an external wall to which L 1b applies							106.67	21.33	**128.00**	
Renovation of a thermal element i.e. Work involving recovering of a roof, replacement of a floor or ronovation of an external wall to which L 1b applies (retrospective)										**160.00**
Formation of a single en suite bathroom / shower room or cloakroom within an existing dwelling (excluding electrical work)	217.50	43.50	**261.00**	inc	inc	**inc**	255.00	51.00	**306.00**	**366.00**
Removal or partial removal of chimney breast (accompanied by Structural Engineering Details)	136.67	27.33	**164.00**				136.67	27.33	**164.00**	**195.00**
Installation of New or Replacement Sewage Treatment Plant and associated discharge	208.33	41.67	**250.00**			**inc**	229.17	45.83	**275.00**	**330.00**
Removal of wall and insertion of one or two steel beams maximum span 4 metres (accompanied by Structural Engineering Details)	136.67	27.33	**164.00**				136.67	27.33	**164.00**	**195.00**
Structural Alterations not supported by Structural Calculations to be individually assessed (Calculations may still be required)	POA					**inc**	POA			**POA**
The insertion of insulating material in a cavity wall of an existing property*							70.00	14.00	**84.00**	
Installation of a multi fuel appliance including associated Flue liner and hearth* to a single dwelling							250.00	50	**300.00**	**360.00**

* Not carried out under a Competent Person Scheme

Where it is intended to carry out additional work internally within a dwelling at the same time as undertaking alterations as defined in Table C then the charge for all of the internal work (including work as defined in table C) may be assessed using the total estimated cost of work as set out in table E. All other work within dwellings will be charged as set out in Table E.

Building Control - Table C

Standard Charges for Alterations to Dwellings 2021/22

Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total	Building Notice Fee	VAT	Building Notice Total	Regularisation
Installation of Replacement windows and doors in a dwelling where the number of windows / doors does not exceed 20							70.00	14.00	**84.00**	
Installation of Replacement windows and doors in a dwelling where the number of windows / doors does not exceed 20 (retrospective)								0.00		**109.00**
Underpinning with a total cost not exceeding £30,000	253.33	50.67	**304.00**	inc	inc	**inc**	304.00	60.80	**364.80**	
Controlled Electrical Work to a single dwelling (not carried out in conjunction with work being undertaken that falls within Table B)	225.00	45.00	**270.00**	inc	inc	**inc**	270.00	54.00	**324.00**	
Renovation of a thermal element i.e. Work involving recovering of a roof, replacement of a floor or ronovation of an external wall to which L 1b applies							106.67	21.33	**128.00**	
Renovation of a thermal element i.e. Work involving recovering of a roof, replacement of a floor or ronovation of an external wall to which L 1b applies (retrospective)										**160.00**
Formation of a single en suite bathroom / shower room or cloakroom within an existing dwelling (excluding electrical work)	217.50	43.50	**261.00**	inc	inc	**inc**	255.00	51.00	**306.00**	**366.00**
Removal or partial removal of chimney breast (accompanied by Structural Engineering Details)	136.67	27.33	**164.00**				136.67	27.33	**164.00**	**195.00**
Installation of New or Replacement Sewage Treatment Plant and associated discharge	208.33	41.67	**250.00**			**inc**	229.17	45.83	**275.00**	**330.00**
Removal of wall and insertion of one or two steel beams maximum span 4 metres (accompanied by Structural Engineering Details)	136.67	27.33	**164.00**				136.67	27.33	**164.00**	**195.00**
Structural Alterations not supported by Structural Calculations to be individually assessed (Calculations may still be required)	POA					**inc**	POA			**POA**
The insertion of insulating material in a cavity wall of an existing property*							70.00	14.00	**84.00**	
Installation of a multi fuel appliance including associated Flue liner and hearth* to a single dwelling							250.00	50	**300.00**	**360.00**

* Not carried out under a Competent Person Scheme

Where it is intended to carry out additional work internally within a dwelling at the same time as undertaking alterations as defined in Table C then the charge for all of the internal work (including work as defined in table C) may be assessed using the total estimated cost of work as set out in table E. All other work within dwellings will be charged as set out in Table E.

Building Control - Table D

Extensions and New Build - Other than to Dwellings 2020/21
(i.e. Shops, Offices, industrial, hotels, storage, assembly etc.)
Note - must be submitted as a full plans application (other than application for replacement windows)

Category of Work	Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total
1	Internal Floor Area not exceeding 6**m2**	330.00	66.00	**396.00**	inc	inc	**inc**
2	Internal Floor Area over 6**m2** but not exceeding **40m2**	166.67	33.33	**200.00**	310.00	62.00	**372.00**
				0			
3	Internal Floor Area over **40m2** but not exceeding **80m2**	166.67	33.33	**200.00**	490.00	98.00	**588.00**
				0			
4	**Shop fit** out not exceeding a value of £50,000	320.00	64.00	**384.00**	inc	inc	**inc**
				0.00			
5	**Replacement Windows**			**0.00**			
				0.00			
	a - not exceeding 10 windows	120.00	24.00	**144.00**	Inc	Inc	**inc**
	b - between 11 - 20 windows	212.5	42.50	**255.00**	Inc	Inc	**inc**

Building Control - Table D

Extensions and New Build - Other than to Dwellings 2021/22
(i.e. Shops, Offices, industrial, hotels, storage, assembly etc.)
Note - must be submitted as a full plans application (other than application for replacement windows)

Category of Work	Proposal	Plan Fee	VAT	Plan Total	Inspect Fee	VAT	Inspect Total
1	Internal Floor Area not exceeding 6**m2**	330.00	66.00	**396.00**	inc	inc	**inc**
2	Internal Floor Area over 6**m2** but not exceeding **40m2**	166.67	33.33	**200.00**	310.00	62.00	**372.00**
				0			
3	Internal Floor Area over **40m2** but not exceeding **80m2**	166.67	33.33	**200.00**	490.00	98.00	**588.00**
				0			
4	**Shop fit** out not exceeding a value of £50,000	320.00	64.00	**384.00**	inc	inc	**inc**
				0.00			
5	**Replacement Windows**			**0.00**			
				0.00			
	a - not exceeding 10 windows	120.00	24.00	**144.00**	Inc	Inc	**inc**
	b - between 11 - 20 windows	212.5	42.50	**255.00**	Inc	Inc	**inc**

Building Control - Table E

Standard Charges for all work not in Tables A,B,C & D for 2020/21
(excludes individually determined charges)

Estimated Cost										
From	To	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
0	1000	113.33	22.67	**136.00**	inc	inc	**inc**	136.67	27.33	**164.00**
1,001	2,000	208.33	41.67	**250.00**	inc	inc	**inc**	250.00	50.00	**300.00**
2,001	5,000	235.00	47.00	**282.00**	inc	inc	**inc**	281.67	56.33	**338.00**
5,001	7,000	252.50	50.50	**303.00**	inc	inc	**inc**	303.33	60.67	**364.00**
7,001	10,000	291.67	58.33	**350.00**	inc	inc	**inc**	350.00	70.00	**420.00**
10,001	20,000	360.00	72.00	**432.00**	inc	inc	**inc**	432.50	86.50	**519.00**
20,001	30,000	166.67	33.33	**200.00**	302.50	60.50	**363.00**	563.33	112.67	**676.00**
30,001	40,000	212.50	42.50	**255.00**	346.67	69.33	**416.00**	671.67	134.33	**806.00**
40,001	50,000	258.33	51.67	**310.00**	416.67	83.33	**500.00**	810.00	162.00	**972.00**
50,001	75,000	304.17	60.83	**365.00**	508.33	101.67	**610.00**	975.00	195.00	**1,170.00**
75,001	100,000	345.83	69.17	**415.00**	641.67	128.33	**770.00**	1,185.00	237.00	**1,422.00**
100,001	150,000	387.50	77.50	**465.00**	737.50	147.50	**885.00**	1,350.00	270.00	**1,620.00**

Where it is intended to carry out additional work on a dwelling at the same time as undertaking an extension within table B, then the charge for this additional work (as indicated in Table E) shall be discounted by 50%, subject to a maximum estimated cost of less than £10,000

Note: In respect of domestic work the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered Competent Person Scheme, if this is not the case an additional charge may apply.

Where the estimated cost of work exceeds £150,000 the charge will be individually assessed by Rossendale Borough Council Building Control Services.

Building Control - Table E

Standard Charges for all work not in Tables A,B,C & D for 2021/22
(excludes individually determined charges)

Estimated Cost										
From	To	Plan Fee	VAT	**Plan Total**	Inspect Fee	VAT	**Inspect Total**	Building Notice Fee	VAT	**Building Notice Total**
0	1000	113.33	22.67	**136.00**	inc	inc	**inc**	136.67	27.33	**164.00**
1,001	2,000	208.33	41.67	**250.00**	inc	inc	**inc**	250.00	50.00	**300.00**
2,001	5,000	235.00	47.00	**282.00**	inc	inc	**inc**	281.67	56.33	**338.00**
5,001	7,000	252.50	50.50	**303.00**	inc	inc	**inc**	303.33	60.67	**364.00**
7,001	10,000	291.67	58.33	**350.00**	inc	inc	**inc**	350.00	70.00	**420.00**
10,001	20,000	360.00	72.00	**432.00**	inc	inc	**inc**	432.50	86.50	**519.00**
20,001	30,000	166.67	33.33	**200.00**	302.50	60.50	**363.00**	563.33	112.67	**676.00**
30,001	40,000	212.50	42.50	**255.00**	346.67	69.33	**416.00**	671.67	134.33	**806.00**
40,001	50,000	258.33	51.67	**310.00**	416.67	83.33	**500.00**	810.00	162.00	**972.00**
50,001	75,000	304.17	60.83	**365.00**	508.33	101.67	**610.00**	975.00	195.00	**1,170.00**
75,001	100,000	345.83	69.17	**415.00**	641.67	128.33	**770.00**	1,185.00	237.00	**1,422.00**
100,001	150,000	387.50	77.50	**465.00**	737.50	147.50	**885.00**	1,350.00	270.00	**1,620.00**

Where it is intended to carry out additional work on a dwelling at the same time as undertaking an extension within table B, then the charge for this additional work (as indicated in Table E) shall be discounted by 50%, subject to a maximum estimated cost of less than £10,000

Note: In respect of domestic work the above charges are on the basis that any controlled electrical work is carried out by a person who is a member of a registered Competent Person Scheme, if this is not the case an additional charge may apply.

Where the estimated cost of work exceeds £150,000 the charge will be individually assessed by Rossendale Borough Council Building Control Services.

Building Control - Table F

Demolition (2020/21)

Category of Work	Proposal	VAT Exempt Fee
1	Application to demolish existing property under Section 80 of the Buildings Act 1984 & issuing the counter notice under Section 81 of the Building Act 1984.	FOC

Building Control - Table F

Demolition (2021/22)

Category of Work	Proposal	VAT Exempt Fee
1	Application to demolish existing property under Section 80 of the Buildings Act 1984 & issuing the counter notice under Section 81 of the Building Act 1984.	FOC

Building Control - Table G

Other Charges (2020/21)

Category of Work	Proposal	Net	VAT	Gross Fee
1	Copy of Decision Notice or Completion Certificates (within the past 3 years)	22.92	4.58	27.50
2	Additional copy from same file.	5.83	1.17	7.00
3	Re- opening of archived applications (Charge per Hour - minimum 1 hour £75) plus decision notice and completion certificate	62.50	12.50	75.00
4	Re- opening of archived applications (Charge per Hour - minimum 1 hour £75) plus decision notice, completion certificate and site visit	87.50	17.50	105.00
5	Withdrawal of an application and any associated charges (Charge per Hour - minimum 1 hour £75)	62.50	12.50	75.00
6	Building Regulation Confirmation letter	62.50	12.50	75.00
7	Change of applicants details on valid application (New)	62.50	12.50	75.00
8	Supply of non-standard data and information, including responding to solicitors enquiries (Charge per Hour - minimum 1 hour £75)	62.50	12.50	75.00

Building Control - Table G

Other Charges (2020/21)

Category of Work	Proposal	Net	VAT	Gross Fee
1	Copy of Decision Notice or Completion Certificates (within the past 3 years)	22.92	4.58	27.50
2	Additional copy from same file.	5.83	1.17	7.00
3	Re- opening of archived applications (Charge per Hour - minimum 1 hour £75) plus decision notice and completion certificate	62.50	12.50	75.00
4	Re- opening of archived applications (Charge per Hour - minimum 1 hour £75) plus decision notice, completion certificate and site visit	87.50	17.50	105.00
5	Withdrawal of an application and any associated charges (Charge per Hour - minimum 1 hour £75)	62.50	12.50	75.00
6	Building Regulation Confirmation letter	62.50	12.50	75.00
7	Change of applicants details on valid application (New)	62.50	12.50	75.00
8	Supply of non-standard data and information, including responding to solicitors enquiries (Charge per Hour - minimum 1 hour £75)	62.50	12.50	75.00

Street Naming & Numbering

	2020/21 Charge	2021/22 Charge
Existing Properties		
Individual House Name / Individual House re-name or re-number	65	65
Conversions of existing Properties into multiples	£115 up to a maximum of 4 units; additional Units £25 per unit	£117 up to a maximum of 4 units; additional Units £25 per unit
Newbuild / Conversion to a property		
Development of 10 plots or less	£65 per plot up to a maximum of £250	£66 per plot up to a maximum of £250
Development of 11 plots or more	Charges individual assessed	Charges individual assessed
Additional charge, where this includes the naming of a street	£105	£107
Additional charge, where this includes the naming of a building (e.g. block of flats)	£105	£107

Local Land Charges

	2020-21			2021-22		
	Fee	VAT	TOTAL	Fee	VAT	TOTAL
Offical Search / Enquiries / Con29R form / LLC1	60.00	12.00	92.00	60.00	12.00	92.00
	20.00	-		20.00	-	
Con 29R - Each additional parcel of land	14.20	2.84	17.04	14.20	2.84	17.04
Offical Search - LLC1	20.00	-	20.00	20.00	-	20.00
Suppplementary Questions Con 29O *	10.00	2.00	12.00	10.00	2.00	12.00
Suppplementary Question Con 29O (Question 22) *	20.00	4.00	24.00	20.00	4.00	24.00
Each additional Enquiry	17.50	3.50	21.00	17.50	3.50	21.00

Legal Services

	2020-21			2020-21		
	Net	VAT	Gross	Net	VAT	Gross
Sales of land and property and freehold reversion						
Up to £5,000			**500.00**			**550.00**
£5001 - £15,000			**695.00**			**750.00**
£15,001 - £100,000			**1000.00**			**1700.00**
over £100k			**1.5% of sale price**			**2% of sale price**
Leases and Licences						
Industrial Unit Lease			**300.00**		*min	**350.00**
Industrial Unit Licence			**150.00**		*min	**200.00**
Garden/Garage Tenancy			**300.00**		*min	**300.00**
Wayleave/Easement		* min	**300.00**		*min	**400.00**
Commercial Lease		* min	**600.00**		* min	**750.00**
Notice of Assignment			**75.00**			**80.00**
Agricultural Tenancy			**300.00**			**350.00**
Agricultural Tenancy Renewal			**200.00**			**250.00**
Lease Renewal			**200.00**		*min	**250.00**
Deed of Variation/Surrender/Release			**300.00**		*min	**350.00**
S106 Agreements						
Preparation		* min	**1017.80**		* min	**1500.00**
Checking Fee		* min	**254.45**		* min	**500.00**
Deed of Variations		* min	**508.90**		* min	**750.00**
Footpath Diversions			**2544.50**			**2750.00**
+ any disbursements (assuming unopposed)						
Commercial Event Licences			**152.67**		*min	**200.00**
Misc' Commercial Licence		* min	**152.67**		* min	**200.00**

Property Services

	2020-21 Net	2020-21 VAT	2020-21 Gross	2021-22 Net	2021-22 VAT	2021-22 Gross
Departure Charge (Rawtenstall Bus Terminal, Bacup Road)	**35.80 p**			**46.00 p**		
Information regarding industrial units have not been included due to the sensitivity of individual pricing						
Garage bond scheme to be introduced to all new and renewing tenancies from 01/04/20						

Valuation Services	2020-21 Net	2020-21 VAT	2020-21 Gross	2021-22 Net	2021-22 VAT	2021-22 Gross
Up to £10,0000	N/A	Individual Valuation charges no longer applicable		N/A	Fixed valuation pricing to be provided for 2021-22 pending on tender results to appoint new surveyors.	
Up to £30,000	N/A			N/A		
Up to £60,000	N/A			N/A		
Up to £100,000	N/A			N/A		
Up to £150,000	N/A			N/A		
£150,001 to 250,000	N/A			N/A		
Above £250,000 - Fee to be agreed						
Minimum net fee of £200. All valuations are priced on application & vary depending on complexity	Min net fee of £200			Min net fee of £200		

	2020-21 Net	2020-21 VAT	2020-21 Gross	2021-22 Net	2021-22 VAT	2021-22 Gross
Application to Purchase/Lease/Rent	104.17	20.83	**125.00**	108.33	21.67	**130.00**
Charity / CIC Application to Purchase/Lease/Rent	N/A	N/A	N/A	10.00	2.00	**12.00**
Licence / Lease Instruction Fee	50.00	10.00	**60.00**	58.33	11.67	**70.00**
Charity Licence / Lease Instruction Fee	10.00	2.00	**12.00**	10.00	2.00	**12.00**

Appendix 2

Draft - Rossendale Borough Council Budget 2020/21 Risk Analysis and Report Under s25 of the Local Government Act 2000

1. This analysis is produced in order to:

a) Support the conclusions as to the robustness of the budget and adequacy of reserves set out in the Chief Finance Officers report under 25 of the Local Government Act 2003.
b) Inform members of the financial risks facing the Council for consideration as part of their debates around the setting of the budget and approving the Medium Term Financial Strategy.

2. Financial risks are clearly of various sorts but can broadly be characterised as follows:

- The chance of overspending against budget
- The chance of under spending against budget
- The chance of an unforeseen event with a major financial impact (for example a flood or similar event)
- The chance of a significant reduction in previously available financial resources (eg New Homes Bonus, National Non-Domestic Rates, Council Tax, Fees & Charges, etc)

3. Clearly such risks have either a positive or negative effect on the Council's overall financial position. It is the purpose of the financial management process to allow the Council to both identify the risks it faces and the steps required to either mitigate them in the case of negative risks or exploit them in the case of positive risks.

4. The degree to which the Council is exposed to such risks is influenced by a number of factors:

- The robustness of the budget estimates. In preparing the budget a line by line review of spending and income is carried out by finance staff and Managers to ensure that budgets reflect the reality of operations and Council policies. This process gives some assurance that underlying budget issues are identified and dealt with.
- The achievability of major variations to spending plans such as growth or savings items. Where major change is undertaken it is always possible that there will be some delays in delivery, for example due to delays in filling posts or restructuring departments. These issues are dealt with in the costing of the business case for change which should tend to underestimate the achievement of savings and overestimate new costs thus presenting a prudent estimate for inclusion in the budget.
- External factors such as: the Covid-19 Pandemic, Brexit, inflation, the economy, changes to local government financing and fluctuations in the property market, all of which have an influence on costs and income. These issues and how they can be managed are dealt with in the next section of this report.

- The budget reflects the ongoing cost of business previously approved by Members. Any policy changes which impact on the core financial budget requirement are always brought before Members for approval.

Turning to the specific risk areas within the Council's budget for 2021/22 and the medium term the following specific areas of risks have been identified:

Expenditure/ Income Heading	**Impact**	**Likelihood**	**Comments**
Employee Costs			
Pay awards	Medium / High	Low	In the Autumn 2020 Spending Review the Government announced a pause on public sector (excluding NHS front line staff) pay awards for 2021/22 for staff earning over £24k pa. For 2021/22 the budget therefore assumes an average increase of 2.0% for pay awards for employees earning less that £24k pa only – from 2022/23 onwards the MTFS assumes a 2% pay award for all employees.
Vacancies / structures	Medium	High	Vacancies normally occur during the year generating savings - this has been the experience in recent years. The budgets include an estimate from the savings associated with natural turnover of staff during 2021/22 being £200k for the year. The budget proposals include an increase of £50k from the previous years £150k target.
Pension Contributions	High	Low	The latest actuarial valuation published December 2019 together with a 3 year pre-payment (April 2020) confirmed the budget and MTFS assumptions.
Running Costs			
Energy and Fuel	Medium	Low	It is thought that fuel can be contained with the Operations budget as was the case during 2020/21
Repairs and maintenance	Medium	High	High risk/cost areas remain with. Amongst others, the many drainage culverts within RBC land ownership, uninsured malicious damage to property and resolution of potential public liability matters. Capital requirements continue to experience increasing demand. The budget proposes a £100k pa capital scheme (£500k over the life of the MTFS,

Expenditure/ Income Heading	Impact	Likelihood	Comments
			funded from either capital receipts, internal or external borrowing.
Insurance	Medium	High	The Council's insurance portfolio was tendered during 14/15 with the potential for a new 7 year max'm relationship. Sporadically we have in recent years experienced a number of occupational health claims in relation to past employment. Councils are often seen, mistakenly, as resource rich by the legal system as liability is deemed to be with the local government public sector even though working life could have been, in part, within the private sector. MMI the Councils insurer in 1992 triggered the Creditors Scheme of Arrangement, during 2013/14. MMI now require contribution rates of 25% per claim. Adequacy of provisions will be reviewed at the close of 2021/22. No further claims were received during 2020/21, but we are dealing with two from the earlier year. The Council has <u>not</u> been able to identify its insurance providers pre – 1971. Any financial claims pre-1971 will fall entirely on the Council – effectively self-insured for pre 1971 claims.
Contract Costs			
ICT	Low/ Medium	Medium	The Civica Financial & Icon contracts are to be reviewed during 2021/22
Leisure	High	High	Rossendale Leisure Trust has been self-financing in recent years, albeit supported by the Council's "back office" teams. However the covid-19 pandemic has impacted significantly on the leisure industry and continues to do so. As the Council provides the day to day cash flow for the Leisure Trust should the Trust get into financial difficulties they may not be able to reimburse the Council. This is a significant risk which increases the longer the pandemic lasts.
Revenues	High	Low	The price of the largest single contract is now

Expenditure/ Income Heading	Impact	Likelihood	Comments
Benefits and Customer Contracts			fixed following a tender and is now in place for at least another 10 years (with options to extend) commencing 1st December 2019.
Housing Benefits	High	Medium/High	Expenditure in this area is c. £19m and is the largest single item of expenditure in the Council's budget. Whilst this expenditure, is in the main, fully funded by grant there is an extremely complex system of rules that determine what is and what is not eligible for grant. Given that a 1% variance on this budget amounts to c.£190k and with some previous history of variances in this area, significant caution needs to be exercised.
Council Tax Support	High	High	Since 2013/14 the council is now exposed to the cost of increased take up from claimants (be they of working age or pensioners). A 2% allowance has been factored into our tax base for additional growth. The Council and other precept authorities continue to be exposed to the risk of additional growth and the cost of non-collection from those who are not eligible to a maximum 80% benefit. The Covid Pandemic has led to an increase in the number of Local Council Tax Support claimants, this has adversely affected the overall Council Tax collection rate. However Government has announced grants to cover 75% of the Council Tax collection fund irrecoverable losses.
Income			
Property Related (Planning Fee, Building Control, licencing & Land charges) and other income	Medium	Medium/High	A prudent view has been taken for all income streams based on recent experience plus an inflation uplift where appropriate.
Market Rents	Medium	High	Reflects the previous decisions by Members on: management, pricing and policy changes (eg Rawtenstall).
Waste Collection / Recycling income	Medium	Medium	The LCC Cost share agreement ended on 31st March 2018. The value of the recycling market remains

Expenditure/ Income Heading	Impact	Likelihood	Comments
			negligible. Council is not currently budgeting for any recycling income for 2021/22 and beyond.
Capital Financing and Interest	High	Medium	The Councils ability to make interest gains has significantly reduced over the last few years as bank rates have remained low, the Covid pandemic has meant that current investment interest rates are 0%, with potential for them to fall below 0%. The MTFS assumes interest rates will remain flat during 2021/22. The use of cash balances to support capital projects will reduce our balances to close to day to day working capital requirements. Estimates of future interest rates can be seen in the Councils Treasury Management Strategy.
NNDR (Business Rates)	High	low	Estimating the Council's share of income from business rates for 2021/22 remains a challenge, not only due to the Covid-19 pandemic but also due to the ongoing uncertainty on the timing and level of appeals. Therefore it is prudent to earmark the Business Rates Reserve to provide a degree of contingency should income fall below projected levels. This is important given the Council remains a member of the Lancashire Business Rates Pool and by virtue of this does not benefit from any safety net protection under the current scheme of business rates retention. Covid-19 has had a significant impact on our 2021/22 business rates income, however actual income from business rates will not be finalised until after the end of the financial year. As part of the 2021/22 Financial Settlement Government has announced they will fund 75% of 2020/21 irrecoverable business rate losses although the mechanism of how this will work is not yet clear.
New Homes Bonus	High	High	2018/19 was the final year for the 4 year NHB funding. There has been no similar replacement scheme. Funds due for 2021/22 are as per the Government's Finance Settlement.

Expenditure/ Income Heading	Impact	Likelihood	Comments
			There is an increased risk as to the value of the replacement scheme for 2021/22 future years. The details of which have yet to be announced.
Housing	High	High	During 2020/21 the Council has continued to face a significant capacity challenge as it continues to work through the Empty Homes Scheme. The 2021/22 budget has been increased in light of the level of legal claims the Council is now facing.
Current Economic Outlook	High	High	Covid-19 has had a significant impact on the economic outlook, and to a certain extent as we are still in the middle of the pandemic the future is still very uncertain. Coupled with that, whilst the Government have agreed a Brexit deal, the full economic impact is still unknown. The Councils Treasury Management advisors are predicting that both inflation and interest rates will remain low throughout 2021/22.
Use of Transitional Reserves	High	High	The Council will continue to grow when and where possible this reserve in order to support and balance future in year budget deficits. 2021/22 will not require the use of the Transitional Reserves. The forecast balance for 31/03/21 is c£0.780m.
Level of Council Tax	High	High	This is the Council's most significant income source. As a district Council, Rossendale is able to increase its CTax by a maximum of 2% or £5 (whichever is the higher) in order to avoid the risk of a referendum. Each 1% increase is worth c£55k cumulative resources for each year With NHB coming to an end and share of future NNDR uncertain, the decision on the level of Council tax is fundamental to the Council's

Expenditure/ Income Heading	Impact	Likelihood	Comments
			medium term resources, future financial planning and ability to set a legally balanced budget.

5. Adequacy of Reserves

Having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-

- the Council's spending plans for 2021/22 and the medium term financial position;
- adequacy of estimates of inflation, interest rates;
- treatment of demand led pressures;
- impact of external partnerships;
- the need to respond to emergencies.
- Capital programme variations.

I can confirm that an amount of £1.0m is considered adequate for this purpose. £1m equates to c3% of the Council's gross expenditure.

In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and taking into account the Medium Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans. That said, should there be a significant call on those reserves another review will need to be carried out.

However, it is important to note the rate at which reserves are being used to support the General Fund Revenue Budget is not sustainable over the medium term without the need to align expenditure more closely with ongoing resources.

In particular, during the lifetime of the current Medium Term Financial Plan, it is projected that the entirety of the Transitional Reserve will be used. By that time, the Council will have had to take the necessary action to balance expenditure with ongoing resources. This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken in July 2021 following the preparation of the Council's accounts for 2020/21.

6. Financial Assurance Statement

The Council must set a balanced budget each year. As the Council's designated Finance Officer, I have a legal duty to report to Full Council in February 2021 on the robustness of the Council's budget and the adequacy of reserves.

I have considered the major items of expenditure and income and their sensitivity to change, together with the budget proposals and assessed the impact on the Council's future forecasts and level of reserves. It is my opinion that the estimates have been prepared and reviewed utilising the most up to date and accurate information available and that all assumptions made are reasonable in the current uncertain economic climate.

I can confirm the recommendations contained in this report will provide the Council with a robust financial position in 2021/22.

I am of the view that the Council is pursuing a sound financial strategy in the context of the challenging financial position. However there is still a significant level of uncertainty from the major risks, e.g. the ongoing Covid pandemic, impact of Brexit and the implementation of the outcome of the Fair Funding Review and the Business Rates reset from April 2022 onwards. Combined with this is the projected scale of savings required by the Council to ensure a balanced budget in future years which means I cannot comment on the robustness of the estimates beyond 2021/22.

7. Therefore, in conclusion for 2021/22, being the current year ahead, I am able to give positive assurance to Members as to:

- The adequacy of General and earmarked reserves to address the risks against which they are held and
- The robustness of the budget for 2021/22

Karen Spencer
Chief Finance Officer
February 2021

Appendix 4

Rossendale Borough Council
Council Meeting – 24th February 2021

Revenue Budget and Council Tax 2021-22

RECOMMENDATIONS

1 – Budget Requirement

1.1. Use of Earmarked Reserves:

Description	**£000**
Transitional Reserve	Nil
NNDR Reserve	606
Total	**606**

1.2. Reduction in expenditure:

Description	**£000**
No specific matters	Nil

1.3. That consequent upon resolutions 1.2, and the Head of Finance opinion on the robustness of the 2021-22 Estimates and the level of balances (Appendix 2), the Council's Budget for 2021-22, as amended, is approved in the sum of £8,902,880 (before the use of reserves and Government grants).

2 – 2021-22 Precepts / 2020-21 Collection Fund Surplus

2.1 That the receipt, or anticipated receipt, of the following precepts for 2021-22 be noted:

	£
Lancashire Police & Crime Commissioner (General Expenses)	
Lancashire County Council (General Expenses / Adult Social Care)	
Lancashire Combined Fire Authority (General Expenses)	
Rossendale Borough Council (General Expenses)	5,810,949
Whitworth Parish Council (Special Expenses)	55,750

2.2 That estimated amounts due in relation to collection fund deficit 2020-21 are noted:

	£
Lancashire Police & Crime Commissioner	(44,056)
Lancashire County Council	(291,757)
Lancashire Combined Fire Authority	(14,764)
Rossendale Borough Council	(58,820)

3 Council Tax Base

3.1 That it is noted that The Head of Finance calculated the following amounts for the year 2021-22 for the whole area of the Borough **20,380** "D" Band equivalent units [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended by the Localism Act 2011]

3.2 For that part of the Council's area being Whitworth Parish, the amount of **2,160** "D" Band equivalent units, being the amounts calculated by the Council in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax for the year for dwellings in that part of its area to which the Special Items relate.

4 Council Tax Declaration

The Council is recommended to resolve as follows:-

4.1 Calculate that the Council Tax Requirement for the Council's own purposes for 2021/22 (excluding Parish precepts) is £ 5,810,949**;**

4.2 That the following amounts be calculated for the year 2021/22 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

(a) **£30,246,003** Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) **£24,379,304** Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) **£5,866,699** Being the amount by which the aggregate at 4.2(a) above exceeds the aggregate at 4.2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) **£287.87** Being the amount at 4.2(a) above less the amount at 4.2(b) above, divided by the amount at 3.1 above, calculated by the Council, in accordance with Section 31(B) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) **£55,750** Being the aggregate amounts of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) **£285.13** Being the amount at 4.2(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

(g) **£310.94** for part of the Council's area, Parish of Whitworth, being the amounts given by adding to the amount at 4.2(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 3.2 above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) Being the amounts shown below that are given by multiplying the amounts at 4.2(f) and 4.2(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

VALUATION BANDS								
	A	B	C	D	E	F	G	H
Parish of Whitworth	207.29	241.84	276.39	310.94	380.04	449.14	518.23	621.88
All other parts of the Borough	190.09	221.77	253.45	285.13	348.49	411.85	475.22	570.26

(i) That it be noted that for the year 2021-22 the Lancashire County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the Categories of dwellings shown below:-

VALUATION BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**

Lancashire County Council								
LCC Adult Social Care								
Total								

(j) That it be noted that for the year 2021-22 the Police and Crime Commissioner for Lancashire has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

VALUATION BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Lancashire Police Authority								

(k) That it be noted that for the year 2021-22 the Lancashire Combined Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

VALUATION BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Lancashire Fire Authority								

(l) That, being calculated the aggregate in each case of the amounts at 4.2(h) above and 4.2(i), (j) and (k) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2020-21 for each of the categories of dwellings show below:-

VALIDATION BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Parish of Whitworth								
All other parts of the Borough								

5 To determine in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2021/22 is not excessive in accordance with principles determined by the Secretary of State under Section 52ZC. As the billing authority, the Council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2020/21 is excessive and therefore the billing authority is not required to hold a referendum in accordance with section 52ZK of the Local Government Finance Act 1992.

6 Council Tax

Collection - That the Head of Customer Services and e-Government, officers and partners be authorised to take all necessary steps to ensure collection and recovery of the Council Tax and National Non-Domestic Rates (NNDR).

7 NNDR1

In accordance with Section 59A of The Local Government Finance Act 1988, as amended by The Local Government Finance Act 2012, the report informs members of the calculations carried out in estimating the level of National Non-Domestic Rates (the business rates tax base) the Council anticipates collecting in 2021-22. The business rates tax base, reported in the NNDR1 submission to the Department for Communities and Local Government (DCLG), is noted as £00000 (Part 1a, line 13).

That estimated amounts due from each authority in relation to NNDR collection fund for 2020-21 are noted:

	£
Lancashire County Council	(92,758)
Lancashire Combined Fire Authority	(10,306)
Rossendale Borough Council	(412,256)

ITEM NO. C3

Subject:	Capital Strategy 2021/22 - 2024/25 and Capital Programme 2021/22		**Status:**	For Publication		
Report to:	Cabinet		**Date:**	10th February 2021		
Report of:	Chief Finance Officer		**Portfolio Holder:**	Resources		
Key Decision:	☒	Forward Plan ☒	General Exception ☐	Special Urgency ☐		
Equality Impact Assessment:		Required:	No	Attached:	No	
Biodiversity Impact Assessment		Required:	No	Attached:	No	
Contact Officer:	Karen Spencer		**Telephone:**	01706 252409		
Email:	karenspencer@rossendalebc.gov.uk					

1. RECOMMENDATIONS

Cabinet recommends that Council approve:

1.1. The capital programme for 2021/22 and associated capital expenditure of £6.21m.

1.2. The Capital Strategy 2021/22 - 2024/25 attached at Appendix B

2. PURPOSE OF REPORT

To propose a capital expenditure programme for 2021/22 and the medium term, including new capital projects approved during 2020/21 subject to further due diligence and legal contracts. The report also explores a Capital Strategy for five years.

3. BACKGROUND

3.1 Capital expenditure refers to larger projects, typically over £10k in value, and those where the benefit will last for more than one year, such as vehicles and buildings.

3.2 The Council has a five-year capital spending programme. The programme includes capital expenditure scheduled for the Council's operational assets. The Council ensures all capital expenditure is directly linked to the Council's priorities, affordable and delivered through key corporate projects. Any spend on the Council's operational assets is scheduled in line with the Council's Major Asset Plan. Expenditure in respect of grants or financial assistance is included if the nature of expenditure, when incurred by the Council, is classed as capital expenditure.

3.3 The capital programme is updated continually for agreed changes and reported to Cabinet on a quarterly basis and to Council as part of any financial forecast updates. A prudent approach is taken when preparing the programme to ensure that financing resources are only estimated for when there is relative certainty that they will be received.

3.4 In accordance with CIPFA's Prudential Code the Council's Chief Finance Officer is required to have full regard for affordability, sustainability and prudence when making recommendations about the Council's future capital programme. Such consideration includes the level of long-term revenue commitments. The Council considers the affordability of capital investment and the impact on revenue forecasts when formulating its capital spending plans.

4. AN AFFORDABLE CAPITAL PROGRAMME 2021/22

4.1 In order to meet the Council's strategic plans and operational requirements the Council have drawn up an affordable capital programme for five years.

4.2 The full detail capital programme is attached at Appendix A and totals £26.69m. The planned spend over the life of the programme is continuously reviewed and any scheme profiling changes are reflected in quarterly monitoring reports. The table, below, sets out the latest capital programme summary. This has been updated for agreed changes up to the end of December 2020:

Table 1

Capital Expenditure	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Expenditure £'000
Operations & Communities	994	1,344	862	486	607	4,293
Corporate Services & Buildings	837	100	100	100	100	1,237
Housing	2,866	1,600	1,500	1,500	1,500	8,966
Regeneration	5,260	2,915	1,771	1,250	-	11,196
Climate change	-	250	250	250	250	1,000
Estimated Expenditure	9,957	6,209	4,483	3,586	2,457	**26,692**

4.3 The Council carries out stock condition surveys to establish a rolling programme of improvement and refurbishment of its operational properties. The programme takes account of the need for efficiency and environmental impact issues. The Council's properties include office accommodation, the depot and venues such as the markets and open space facilities.

4.4 The Council has an investment property portfolio managed to generate income to support the revenue budget and maximise opportunities for regeneration. Plot 5 Futures Park has been added in 2020/21 and Plot 1 is currently under construction.

4.5 The Council has three major on-going capital projects, including; Phase 2 to the Whitaker Park Museum (which was approved by members in 2018), the Bacup Historic England Project and Plot 1 at Futures Park.

4.6 The Council have developed a comprehensive replacement plan for the operational vehicle fleet over the life of the MTFS. Whilst there has been delays in the procurement of some vehicles in 2020/21, due to the Covid pandemic. Several replacement vehicles are scheduled to be purchased in 2021/22.

4.7 There are a number of smaller projects on-going including the development of Henrietta Street to improve access and incorporate a new waste transfer facility.

4.8 In 2020/21 there have been two additions to the programme as a result of emergency works - Victoria Way river wall and Waterside Mill.

4.9 The Council has added the Empty Homes scheme project to the capital programme, which is included in the table above under housing.

4.10 The Haslingden 2040 National Lottery Heritage Fund application will be submitted in February. If approved work is planned to start in July 2021.

4.11 From 2021/22 it is proposed to include a new scheme designed to support carbon reduction projects. The value of the scheme will be £1m over the life of the current programme. Each project will require a business case and will be assessed on its own merit. Whilst the current programme assumes the Council will borrow to fund this scheme, wherever possible the Council will also aim to secure external funding to support individual projects.

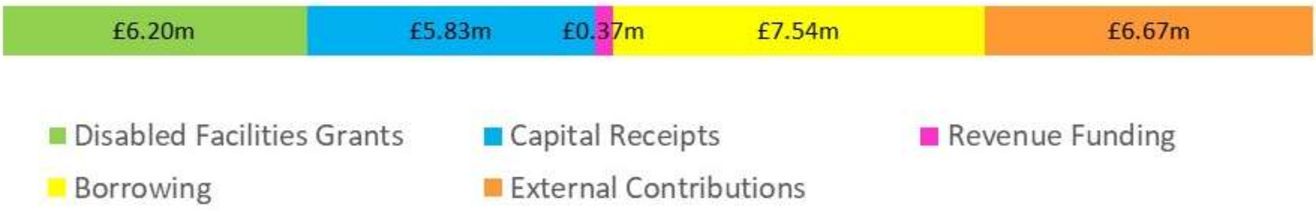
5. FINANCING THE CAPITAL PROGRAMME

5.1 Capital resources come from three sources:

- Capital receipts from sales of land or other assets
- Capital grants or contributions from outside agencies, organisations or community groups or from property developers through s106 agreements
- Revenue Contributions (RCCO) from either the Council's own budgets, or from property developers through s106 agreements.

The Council has estimated the following financing sources will be available to fund the capital investment programme:

Table 2



6. FUTURE PLANS

6.1 The Council has an ambitious agenda for improving Rossendale. Projects requiring capital funding must be financially sustainable. Other potential future schemes could include:

- An 'Outdoor Rossendale' project which is one of the key priorities of our newly adopted Visitor Economy Strategy.
- Improvement projects recommended within the Play Strategy.
- Rossendale Valley Growth Corridor aimed at opening up new employment sites along the A56/M66 corridor.
- Regeneration scheme for a future Cockerill Square in Haslingden.
- Future proposals for the redevelopment of Bacup town centre.

6.2 Each of these proposals is either at feasibility stage or earlier. Each will be considered for approval by members in 2021/22. If the above projects are approved by Members they will require capital funding. If this is funded using the Council's own resources or prudential borrowing it will impact on the Councils revenue budget and the capital programme would need to be reviewed and adjusted.

7. RISK

All the issues raised and the recommendations in this report involve risk as set out below.

7.1 The Council needs to ensure that it is able to generate adequate sources of capital funding to support its capital commitments over the medium term and that it does not over stretch itself in terms of borrowing exposure. This risk is mitigated by the on-going monitoring of the capital programme and the agreement of any additions to the programme only following member approval, which will include considerations of the implications for the Council's capital and revenue position.

7.2 In the current economic climate there is some uncertainty surrounding the Council's ability to generate resources from the disposal of its surplus assets. Regular reporting will continue to be made to members to explain any additional resources achieved and account for their allocation to the programme as and when they become available.

7.3 The potential for unforeseen events or liability. For example, emergency works such as those to culverts, properties and other Council assets.

8. FINANCE

8.1 The financial implications are contained within the body of the report.

9. LEGAL

9.1 None.

10. POLICY AND EQUALITIES IMPLICATIONS

10.1 The capital programme forms part of the Council's 2021/22 MTFS proposals and has been included as part of the MTFS equality considerations and consultation process.

11. CONCLUSIONS

11.1 The proposed capital programme for 2021/22 and up to 2024/25 represents an affordable plan, as indicated by the prudential borrowing performance indicators the Capital Strategy (Appendix B).

11.2 The deficit between capital resources and requirements over the future years looks set to continue. With severe pressures on the Council's revenue resources throughout the Medium Term Financial Strategy it is likely that the council will need to take out further external borrowing, as reflected in the capital programme financing estimates. This will lead to interest costs which will need to be included within the business case for each investment.

Background Papers	
Document	Place of Inspection
Revenue Budget 2021/22 and the MTFS update being reported to this committee and Cabinet in Feb 2021	Financial Services working papers

Schemes in Progress	Est. Total Cost of Scheme	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total 2020/21 - 2024/25 £'000
Schemes							
Vehicles / Equipment	3,426	333	1,344	656	486	607	3,426
Wheeled & Litter Bins	17	17	-	-	-	-	17
Playgrounds	15	15	-	-	-	-	15
Cemeteries	50	50	-	-	-	-	50
Pathways	60	60	-	-	-	-	60
CPO / Enforced Sales	21	21	-	-	-	-	21
Empty Homes Scheme		650	600	500	500	500	2,750
Ski Rossendale	113	113					113
General Building Renovations & Maintenance	629	229	100	100	100	100	629
Whitworth pool - Boilers	110	14	-	-	-	-	14
Victoria Way River Wall	350	350	-	-	-	-	350
Waterside Mill Emergency Works	100	100	-	-	-	-	100
Rock View Whitworth - culvert head rebuild	31	31	-	-	-	-	31
Purchase of 12 Market Street, Bacup	63	63	-	-	-	-	63
Spinning Point - Building Phase1	1,224	1,224					1,224
		3,270	**2,044**	**1,256**	**1,086**	**1,207**	**8,863**

Schemes funded wholly/partly by External Finance or Government Grants	Est. Total Cost of Scheme	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total 2020/21 - 2024/25 £'000
Waste Transfer Station Henrietta St	175	175	-	-	-	-	175
Loveclough Park	29	29	-	-	-	-	29
Mullards	42	42	-	-	-	-	42
Staghills	121	121	-	-	-	-	121
Whitworth wild play	88	88	-	-	-	-	88
Rising Bridge play area	64	64	-	-	-	-	64
Sports Playing Fields	157	-	-	157	-	-	157
Haslingden Sports Centre playing fields	49	-	-	49	-	-	49
DFG'S - Mandatory Grants	2,195	2,195	1,000	1,000	1,000	1,000	6,195
Plot 1 Futures Park	1,466	511	955	-	-	-	1,466
Plot 5 Futures Park	3,966	1,240	-	-	-	-	1,240
Futures Park Infrastructure	500	158	342	-	-	-	500
Whittaker Park Museum Refurb	1,855	1,525	250	80	-	-	1,855
Spinning Point - Phase2	500	500	-	-	-	-	500
Bacup Historic England	2,315	39	868	891	517	-	2,315
		6,687	**3,415**	**2,177**	**1,517**	**1,000**	**14,796**
Total of Schemes in Progress		**9,957**	**5,459**	**3,433**	**2,603**	**2,207**	**23,659**

Earmarked Schemes or Schemes awaiting external funder approval	Est. Total Cost of Scheme	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total 2020/21 - 2024/25 £'000
Haslingden 2040 NLHF	2,033	-	500	800	733	-	2,033
Carbon Reduction Fund	1,000	-	250	250	250	250	1,000
Total		**-**	**750**	**1,050**	**983**	**250**	**3,033**
Grand Total		**9,957**	**6,209**	**4,483**	**3,586**	**2,457**	**26,692**

MTFS Forecast 2021/22
Rossendale Borough Council Capital Financing Statement

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Estimate 2019/20 - 2023/24 £000
Estimated Expenditure						
Schemes in Progress	9,957	5,459	3,433	2,603	2,207	23,659
New Schemes	0	750	1,050	983	250	3,033
Total Estimated Capital Payments	**9,957**	**6,209**	**4,483**	**3,586**	**2,457**	**26,692**
Estimated Resources						
Direct Revenue Finance	84	0	0	0	0	84
Disabled Facilities Grant	2,195	1,000	1,000	1,000	1,000	6,195
Other External Finance (see below)	2,870	1,587	1,262	955	0	6,674
Prudential Borrowing	0	2,368	2,148	1,564	1,457	7,537
Earmarked Reserves	186	45	73	67	0	371
Capital Receipts	4,622	1,210	0	0	0	5,832
Total Resources	**9,957**	**6,209**	**4,483**	**3,586**	**2,457**	**26,692**

ANALYSIS OF OTHER EXTERNAL FINANCE						
	Funder	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
Waste Transfer Station Henrietta St	Lancashie County Council	70	-	-	-	-
Loveclough Park	Various	29	-	-	-	-
Mullards	Various	16	-	-	-	-
Staghills	Various	16	-	-	-	-
Whitworth wild play	Section 106	101	-	-	-	-
Rising Bridge play area	Various	64	-	-	-	-
Plot 1 Futures Park	Lancashire Enterprise Partnership	250	469	-	-	-
Plot 5 Futures Park	Lancashire Enterprise Partnership	781	-	-	-	-
Whittaker Park Museum Refurb	NLHF	1,373	225	72	-	-
Spinning Point - Phase2	Lancashie County Council	150	-	-	-	-
Bacup Historic England	Historic England	20	438	463	289	-
Haslingden 2040 NLHF	NLHF	-	455	727	666	-
Total External Funding :		**2,870**	**1,587**	**1262**	**955**	**0**

The 2021/22 Capital Strategy

The Capital Strategy, including Prudential Indicators & Limits

Capital Strategy Report 2021/22

1. Introduction

The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of the Corporate Capital Strategy is an iterative process insofar as it will be updated as new issues arise, for example, during the development and updating of the Council's Corporate Priorities or as new issues that have an impact on the Council emerge. At the present time, the Strategy is updated on an annual basis.

A sound capital programme must be driven by the Corporate Priorities and capital decisions must balance the long-term gains with the initial capital costs and the ongoing revenue implications in terms of running costs and potential income generation opportunities. The Prudential Code recognises that in making its capital investment decisions the council must have explicit regard to option appraisal, asset management planning, strategic planning for the council and achievability of the capital programme.

2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2021/22, the Council is planning capital expenditure of £6.209m summarised in Table 1.

Table 1 - Prudential Indicator: Estimates of Capital Expenditure

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Expenditure £'000
Estimated Expenditure	9,957	6,209	4,483	3,586	2,457	26,692

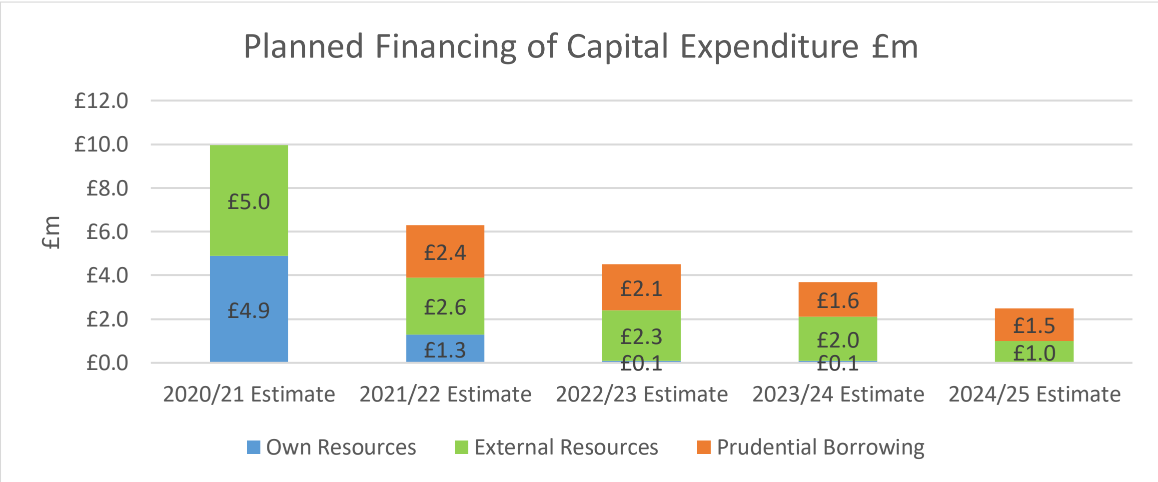
Governance: A strategic review of the Capital Programme including a review of the Council's investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys and investments/capital expenditure resulting from the Council's Corporate Priorities. Bids are formulated based on the outcome of reviews and recommend projects for inclusion in the Council's capital programme. Bids are reviewed by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Cabinet Members and

Corporate Management Team appraise all bids based on a comparison of service priorities against financing costs. The final capital programme is then presented along with the Cabinet budget proposals in January and to Council in February each year.

- For full details of the Council's capital programme

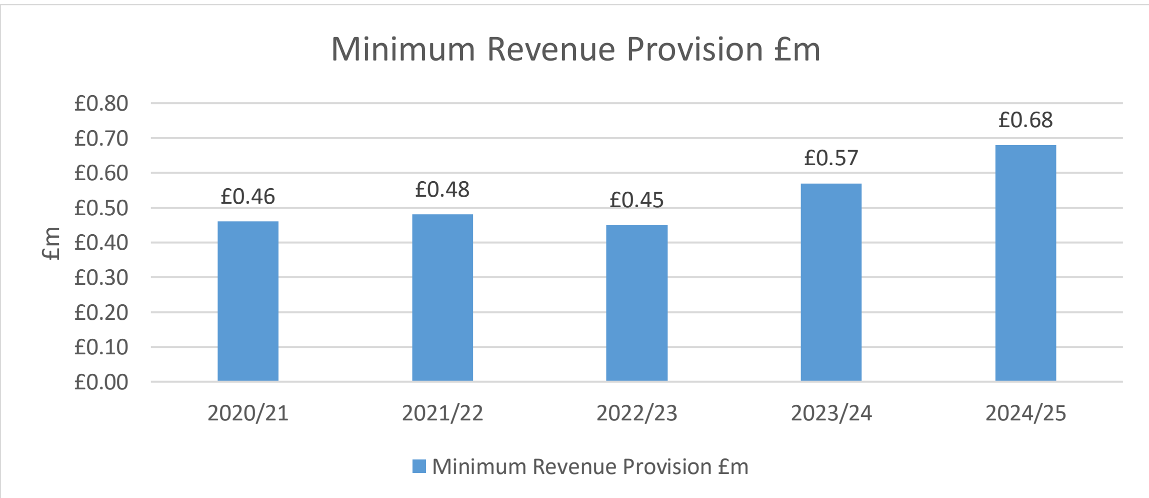
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

Table 2: Capital financing



Prudential Borrowing is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Planned MRP repayments are as follows.

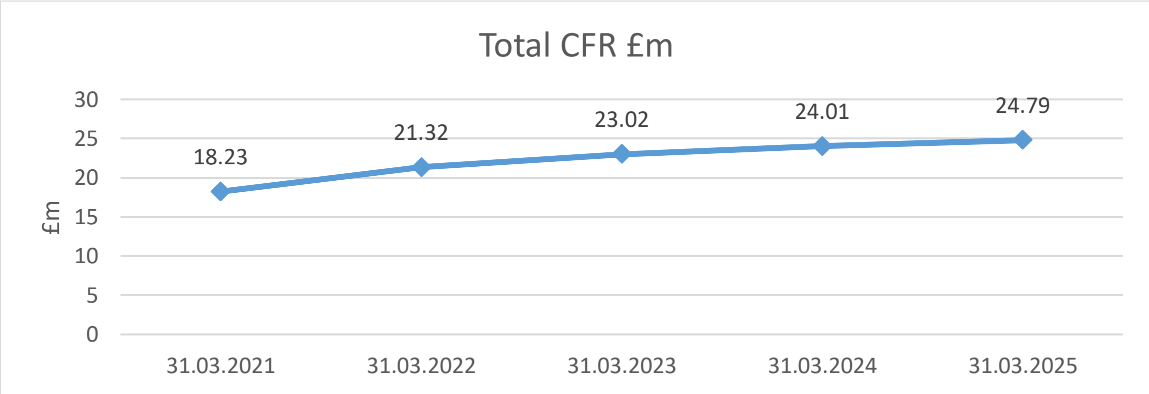
Table 3: Replacement of Debt Finance



- The Council's Minimum Revenue Provision statement is available in the Treasury Strategy

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to increase by £3.1m during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4 - Prudential Indicator: Estimates of Capital Financing Requirement



Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy. Also wherever possible the Council investigates opportunities to dispose of property assets for development, and explores other opportunities to maximise the return on the investment property portfolio income or increase financial receipts. As well as future investments, Members must also consider the costs of holding onto some assets compared with their contribution towards the Corporate Priorities. Holding costs include revenue running costs and general maintenance, but often capital maintenance costs are overlooked and these can mount up over time if not addressed. The last comprehensive stock condition survey was undertaken in 2013 and since then the Council has only had the resources to deal with the highest priority capital maintenance works in a rolling programme of around £100k per annum. That said, the Facilities Management Team is confident that all the Council's assets are being adequately maintained. Enable the Council to understand the scope of its property and land assets portfolio i.e. location, suitability, condition and value.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council's ability to raise capital receipts from land sales is dependent upon the current property market and its appetite to dispose of non-operational assets. The opening value of capital receipts from sale of assets is forecast to be £831k.

Housing capital receipts in the future are only expected from the sale of CPO properties and these are dependent upon, and directly related to, any CPO costs.

Regular reporting will continue to be made to Members to explain any additional resources achieved and account for their allocation to the programme as and when they become available. The Council estimates it will receive £3.2m of capital receipts in the coming financial years as follows:

Table 5: Capital Receipts

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Total Estimate £m
Asset Sales	2.72	0.48	0.00	0.00	0.00	3.20

Further details of planned asset disposals are included within the capital programme.

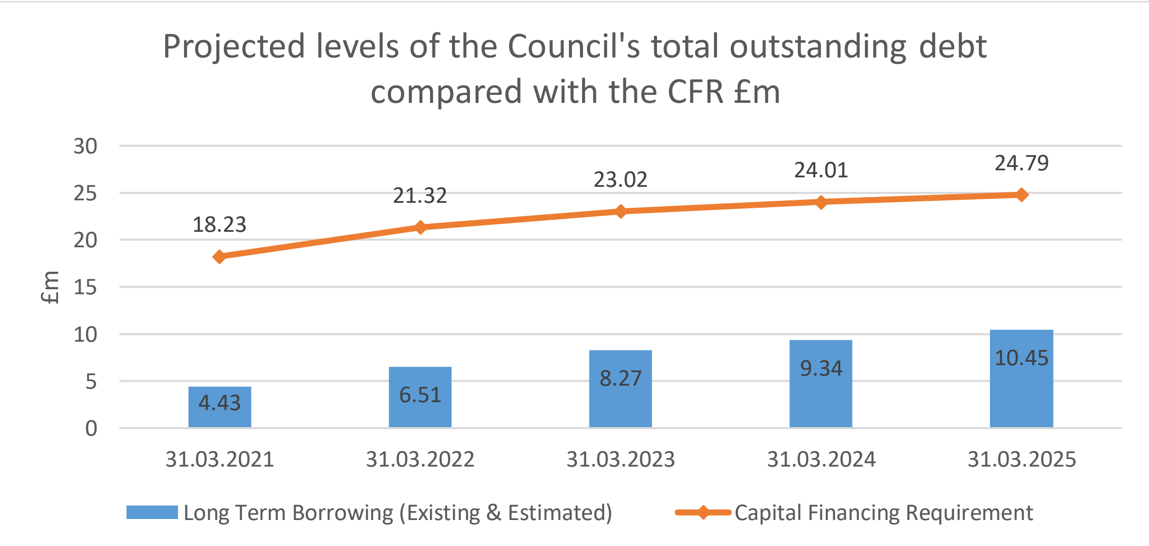
3. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.

Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement.

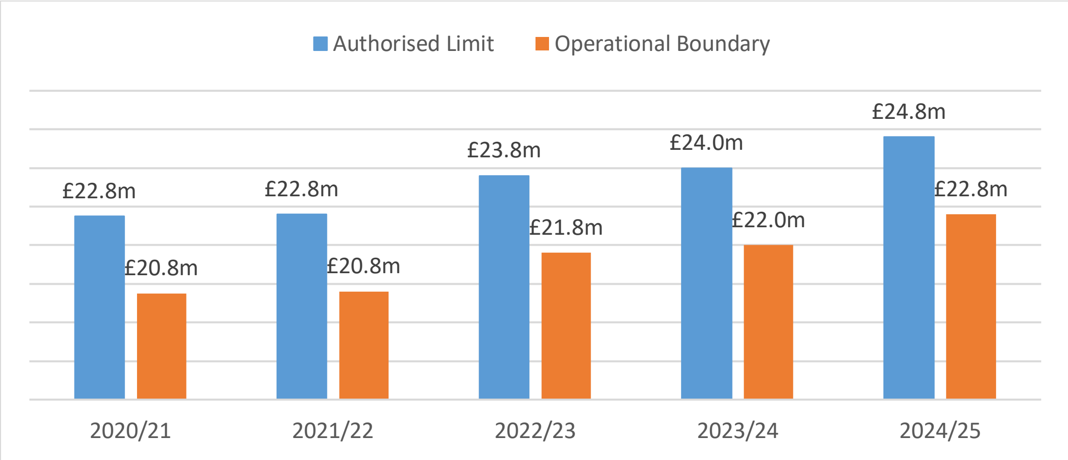
Table 6: Prudential Indicator Gross Debt and the Capital Financing Requirement



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7 - Prudential Indicators: Authorised limit and Operational Boundary for External Debt

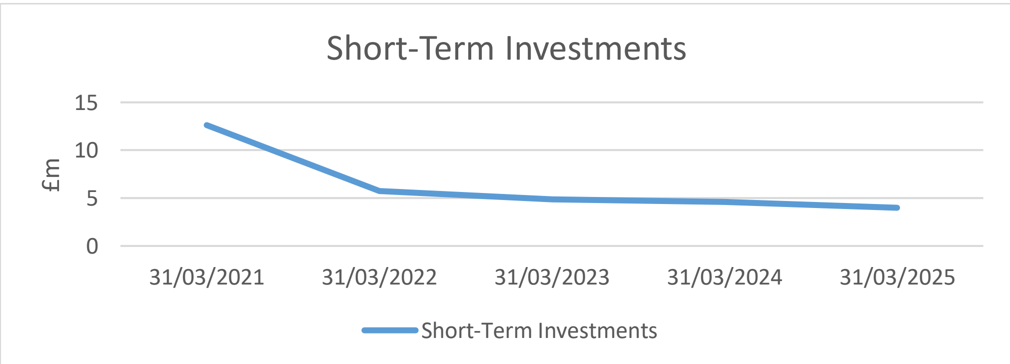


Further details on borrowing are in the Treasury Management Strategy

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns**.** Cash is invested securely, for example with the government or selected high-quality banks, to minimise the risk of loss. The Council does not make investments for period over 365 days.

Table 8: Treasury Management Investments (cash balances)



The estimated level of cash balances held at 31/03/21 is higher than normal due to the amount of Government funds held for Covid business grants.

Further details on treasury investments are in the Treasury Management Strategy.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer who must act in line with the treasury management strategy approved by Council. Treasury Management Activity is included within the quarterly monitoring reports which are presented to the Cabinet. The Audit and Accounts Committee is responsible for scrutinising treasury management decisions.

4. Investments for Service Purposes

These investments, including loans, are made for their contribution toward service delivery objectives. For example, the Council has provided loans to Rossendale Trust for equipment purchase and to the Whitaker to enable the delivery of the current capital works. These loans are made to benefit the local community. In light of the public service objective, the Council is willing to take more risk in making service investments than it is with treasury investments, however it still aims for such investments to contribute to its corporate priorities.

Governance: Decisions on service investments are made by either Cabinet or the Council, in line with the Council's constitution. Most loans are capital expenditure and purchases will therefore be approved as part of the capital programme.

5. Commercial Activities

With central government financial support for local public services declining, the Council invests in commercial property mainly for the aim of regeneration of the Borough whilst seeking to achieve financial gain in order to produce a balanced overall financial budget and to minimise the charges to Council Tax payers. At 31/03/20 the Councils investment properties were valued at £550k providing a net return after all costs of 4.55%.

With regeneration and financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include increased vacancies and potential fall in capital values. These risks are managed by the Property Services team monitoring and actively seeking to lease vacant premises and effective monitoring of performance of investment portfolio. A programme of works was developed which to-date has included the development of Futures Park Plots 1 & 5, carrying out rent reviews and identifying surplus areas of land and property assets to maximise the rental returns and achieve future capital receipts.

Governance: Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of Full Council/Cabinet as appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

6. Liabilities

In addition to the debt in Table 6 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £1.5m at 31st March 2020). It has also set aside £1.9m (as at 31st March 2020) in a Business Rates Appeal Provision to cover risks arising from the costs of Business

Rates appeals as a consequence of the transference of such risks under the localisation of business rates arrangements introduced in 2013.

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Governance: Decisions on incurring new discretional liabilities are taken in consultation with the Section 151 Officer.

Revenue Budget Implications Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Financing Costs	55	154	188	194	214	201
Proportion of net revenue stream	0.67%	1.85%	2.27%	2.36%	2.56%	2.32%

Further details on the revenue implications of capital expenditure are included within the Capital Programme.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend for up to 50 years into the future. The Head of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable.

7. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance is a qualified accountant with over 20 years' of Local Government experience. The Council pays for accountancy staff to study towards relevant professional accountancy qualifications and the staff involved in treasury management attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the financial management training delivered by the Section 151 Officer and more detailed treasury management training to Councillors on the Audit & Accounts Committee by treasury management advisors Link Asset Management Limited. Where appropriate the Council appoints external advisors and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Rossendale BOROUGH COUNCIL

ITEM NO. C4

Subject:	Treasury Management Strategy & Treasury Management Practises			**Status:**	For Publication		
Report to:	Cabinet			**Date:**	10th February 2021		
Report of:	Chief Finance Officer			**Portfolio Holder:**	Resources		
Key Decision:	☒	Forward Plan ☒		General Exception ☐		Special Urgency ☐	
Equality Impact Assessment:			Required:	No	Attached:	No	
Biodiversity Impact Assessment			Required:	No	Attached:	No	
Contact Officer:	Karen Spencer			**Telephone:**	01706 252409		
Email:	karenspencer@rossendalebc.gov.uk						

RECOMMENDATIONS

Cabinet recommends that Council approves:-

1.1. The Treasury Management Strategy Statement and the Treasury Management Policy and Practises.

1.2. To delegate any further minor amendments to the Head of Finance in consultation with the Portfolio Holder for Resources.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to obtain Cabinet approval of the updated Treasury Management Strategy Statement (TMS) and Treasury Management Policy and Practises (TMP).

3. BACKGROUND

3.1 This is an annual update of the Treasury Management Strategy Statement (Appendix 1) and the Treasury Management Policy and Practices (Appendix 2), based upon the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management and Prudential Codes 2017.

3.2 Treasury management is concerned with how organisations manage their cash resources and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In the public services it is generally considered that the priority is to protect capital rather than maximize return.

3.3 The Treasury Management Strategy Statement for 2021/22 at Appendix 1 is written in conjunction with both the revenue budget for 2021/22 and the Capital Strategy and Capital Programme 2021/22 to 2024/25 which are also being placed before members for consideration, specifically in respect of the TMSS at Appendix 1:

- Capital Strategy at 1.2.1
- Capital Expenditure at 2.1 and 5.1.1
- The Capital Financing Requirement (CFR) at 2.2
- Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) at 2.4
- Interest expenditure and income at 5.1.2

3.4 The interest rates quoted at paragraphs 3.3 and 5.2 of the strategy reflect the average of samples gathered by Link Asset Services as at the 1st January 2021 from city and non-city forecasters, including HM Treasury. The forecasts are an estimate based on today's financial climate. Whilst forecasters are comparatively confident about their estimates for the coming financial year, those for longer term are far less reliable.

3.5 The Treasury Management Strategy Statement covers:

- treasury controls and reporting mechanisms required to limit the treasury risk and activities of the Council
- the current and expected cash and reserve balances (2.3)
- the borrowing requirement and borrowing limits (3.1)
- prospects for interest rates (3.3)
- policy on borrowing in advance of need (3.5)
- the investment strategy and expected rates of return (4.4)
- Prudential Indicators and the MRP strategy (5.1)
- treasury management scheme of delegation (5.6) and the relevant roles and responsibilities of delegated officers (5.7)

3.6 As part of the Council's budget-setting work the estimates of future interest rates, capital resources and expenditure and capital financing costs (through the Minimum Revenue Provision) have been included in arriving at a balanced budget for 2020/21.

3.7 Members' attention is drawn to the change to the maximum deposit with any one bank on page 35. In light of the current economic climate, officers recommend that the maximum deposit limit with the UK Government's Debt Management Office (DMO) is removed. In times of economic uncertainty the UK Government is considered the most secure counterparty to hold our cash deposits.

3.8 Members are asked to note the proposed change in Minimum Revenue Provision (MRP) Policy on page 7, section 2.4. Officers recommend the move from a straight line or reducing balance method of calculation to an annuity method, which unlike the current method takes account of the time value of money.

3.9 The Treasury Management Policy and Practices at Appendix 2 provide further operational detail on the plans within the Treasury Management Strategy Statement. For 2021/22 there have been only very minor amendments to the Treasury Management Policy and Practises to cover the works with related parties and subsidiaries and to keep it in line with updates in the TMSS above.

3.10 The Treasury Management Practises cover :

- risk management arrangements and techniques
- performance measurement
- decision making and operational controls within the day to day administration of treasury and cash flow management
- measures to prevent money laundering
- training requirements for staff included within the delegation arrangements in the Treasury Management Strategy Statement
- further details on the use of external service providers

3.11 At times of low interest rates from banks, one alternative use of resources open to the Council is the pre-payment of revenue creditors in order to achieve early payment discounts. These transactions are not treated as investments, therefore do not fall under the TMS or TMPs in the appendices attached. However, the same considerations of risk and reward should be considered prior to entering into any such agreement. The Head of Finance must be sure of the nature and obligation of the future transactions, their expected value and the credit worthiness of the supplier/counterparty involved.

3.12 The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union, will remain major influences on the Vouncil's treasury management strategy for 2021/22.

4. RISK

4.1 The key risks associated with the strategy include:

- Overpayment of contributions cannot be returned.
- An unexpected increase in bank base rates.
- Agreeing the accounting treatment with external auditors.
- An unexpected reduction in cash balances. Each individual opportunity would be assessed on its own merits and reported to members at the next available opportunity.

4.2 All the issues raised and the recommendations in this report involve risk considerations as set out below:

- Failure to comply with legal statute, Codes of Practice and regulations of the Council.
- Financial risks and credit risks exposure as a result of treasury management decisions. The TMS lays the ground rules for balancing the desire to maximize interest earning capacity with the potential risks of investments in the financial sector, especially in the current economic climate.

5. FINANCE

5.1 Financial matters are dealt with in the report.

6. LEGAL

6.1 There are no material implications.

7. POLICY AND EQUALITIES IMPLICATIONS

7.1 Consultation has taken place with the Council's treasury management advisors - Link Asset Services.

7.2 Officers have ensured that the documents attached meet the requirements of the current CIPFA revised Treasury Management Code of Practice and revised Prudential Code 2017 by adopting the proforma documents provided by Link Asset Services with only minor adaptations for local considerations.

8. CONCLUSIONS

8.1 Following consideration at Full Council, Members are asked to approve the adoption of the updated Treasury Management Strategy Statement and Treasury Management Policy and Practises, which will ensure continued compliance with the Code and continue to manage the Council's exposure to financial risk.

8.2 In light of the current economic climate and resultant changing cash flow requirements, Members are asked to delegate any minor amendments required within year to the Head of Finance in consultation with the Portfolio Holder for Resources.

Background Papers	
Document	Place of Inspection
Template TMSS and TMPs provided by Link Asset Services	Financial Services and Link website (client area)
Previously adopted 2020/21 TMS & TMP	Website: Full Council February 2020

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2021/22

Responsible Section/Team	**Finance**	**Version/Status**	**2021/22 v1**
Responsible Author	**Finance Manager**	**Report submitted to**	**Full Council**
Date Amended now	**Feb 2021**	**Meeting date**	**24 Feb 2021**
Due for Review	**Feb 2022**	**Page**	**0**

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1.INTRODUCTION

1.1 Background

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

This authority has not engaged in any commercial investments and has no non-treasury investments.

1.2 Reporting requirements

1.2.1 Capital Strategy

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

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

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

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

This report is required to be adequately reviewed and scrutinised by Cabinet before being recommended for approval by the Council.

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. This is included within each of the Council's monitoring reports presented to Cabinet quarterly.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This is included within the Council's end of year financial monitoring report presented to Cabinet.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Financial training for Members is undertaken annually in June.

The training needs of treasury management officers is reviewed annually.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2024/25

The Prudential and Treasury Management Codes require local authorities to undertake financial planning for periods longer than the three years required for prudential and treasury indicators.

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

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 1

Capital Expenditure	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Expenditure £'000
Operations & Communities	994	1,344	862	486	607	4,293
Customer Services & Buildings	837	100	100	100	100	1,237
Housing	2,866	1,600	1,500	1,500	1,500	8,966
Regeneration	5,260	2,915	1,771	1,250	-	11,196
Climate change	-	250	250	250	250	1,000
Estimated Expenditure	9,957	6,209	4,483	3,586	2,457	**26,692**

Long Term Liabilities – The Council currently has two loans from PWLB, the first taken out in 2010 over a period of 25 years, for which the annual repayment of principle is £184k, the second was taken out in 2019 over 20 years for which the annual repayment of principle is £100k.

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

Table 2

Financing of Capital Expenditure	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Expenditure £'000
Capital Receipts	4,622	1,210	-	-	-	5,832
Capital Grants	5,065	2,587	2,262	1,955	1,000	12,869
Capital Reserves	-	-	-	-	-	0
Earmarked Reserves	186	45	73	67	-	371
Revenue	84	-	-	-	-	84
Total in-year resources	9,957	3,842	2,335	2,022	1,000	**19,156**
Net Financing need for year	-	2,368	2,148	1,564	1,457	7,537

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The Council is asked to approve the CFR projections below:

Table 3

Capital Financing Requiement (CFR)	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Opening CFR	11,407	14,063	18,225	21,322	23,020	24,014
Movement in CFR	2,656	4,162	3,097	1,698	994	774
Closing CFR	14,063	18,225	21,322	23,020	24,014	24,788
Movement in CFR is repesented by						
Net Financing need for year	3,195	-	2,368	2,148	1,564	1,457
Less MRP repayments	539	460	480	450	570	683
Movement in CFR	2,656	(460)	1,888	1,698	994	774

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The movement in CFR in 2021/22 is £3,097k, which includes the following projects:

- The operational vehicle/equipment replacement plan
- Empty Homes Scheme

The actual movement in the CFR is dependant on whether new schemes are added and the timing of existing schemes.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 4

Year End Resources	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
General Fund Balance	1,000	1,000	1,000	1,000	1,000	1,000
Earmarked Reserves	6,452	5,609	4,869	4,075	3,386	2,744
Capital Receipts	2,733	2,715	475	-	-	-
Government Grants Unapplied	1,285	1,206	1,000	1,000	250	100
Additional Resources to fund the MTFS	-	-	-	(401)	(401)	(400)
Total Reserves	11,470	10,530	7,344	5,674	4,235	3,444
(Under)/Over Borrowing (see 3.1)	(9,353)	(9,177)	(8,981)	(8,915)	(8,829)	(8,523)
Expected Resources	2,117	1,353	(1,637)	(3,241)	(4,594)	(5,079)
Cash Balances	7,991	12,602	5,741	4,860	4,617	3,990
Working Capital*	5,874	11,249	7,378	8,101	9,211	9,069

Working capital balances shown are estimated year-end; these may be higher mid-year

2.4 Minimum revenue provision (MRP) policy statement

Introduction

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP, but authorities retain flexibility over their determination of what is prudent.

The proposed methodologies for use within Rossendale Borough Council are set out below and reflect the basic principles set out in the guidance, along with some locally determined and prudent modifications to make the MRP more straightforward to calculate.

Proposed MRP Policy Statement for 2021/22

The following MRP Policy is proposed, under guidance issued by the MHCLG is as follows:

(a) *For capital expenditure that is self-financed from debt arising in 2007/08 and thereafter* - to charge the expenditure over the expected useful life of the relevant asset ("the Asset Life Method"), but to use the annuity variant, based on the average PWLB annuity rates prevailing in the year of the expenditure (rather than charging on a straight line basis over the asset life).

(b) For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

(c) In those cases where asset lives cannot be readily determined - to use a default period of 20 or 25 years in line with government guidance. However the Council may make its own determination in exceptional circumstances, if the recommendation of the guidance would not be appropriate.

Change in Policy from Previous Years

The above policy in respect of capital expenditure financed from debt arising in 2007/08 and thereafter represents a change from those reported in the MRP statement presented for 2020/21. The proposed policy for 2021/22 is for MRP to be charged over the expected useful life of the relevant asset using an annuity variant, based on the PWLB rate prevailing in the year of the expenditure. Previously MRP has been charged over the same period but on a straight-line basis or reducing balance basis.

The annuity method makes provision for an annual charge to the General Fund which, unlike the current Straight Line method, takes account of the time value of money. The annual MRP charges made by using the annuity method results in a consistent charge over an asset's life, taking into account the real value of the annual charges when they fall due.

It is proposed that these changes in policy are implemented for 2020/21 and subsequent years.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.
Therefore, in the determination of MRP, the Council will be both:

(a) **prudent** - working within the principle that debt be repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits, and

(b) **practical** - making detailed determinations where the impact of the calculation will be material, but allowing a more general approach if that would be reasonable.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. In 2018/19 the Council made VRP overpayments of £657k.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2020 and for the position as at 31/12/2020 are shown below for both borrowing and investments.

Table 5

	31/03/2020 Actual £000	31/12/2020 Current Portfolio £000
External Borrowing:		
Public Works Loan Board Loan 1	2,760	2,668
Public Works Loan Board Loan 2	1,950	1,900
Total External Borrowing	4,710	4,568
Treasury Investments:	**9,420**	**9,136**
Nat West SIBA	5,491	4,469
Handelsbanken Instant	-	3,000
Handelsbanken 35 Day	-	2,000
Lloyds 32 Day	1,000	-
Lloyds Instant	1,500	-
Lloyds Treasury Call Account	-	8,000
Total Treasury Investments	**7,991**	**17,469**
Net Borrowing / (Lending)	**(3,281)**	**(12,901)**

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

Table 6

Borrowing Position	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt at 1st April	2,944	4,710	4,426	6,510	8,274	9,354
Debt Repayments	(234)	(284)	(284)	(384)	(484)	(364)
New Debt	2,000		2,368	2,148	1,564	1,457
Debt at 31st March	**4,710**	**4,426**	**6,510**	**8,274**	**9,354**	**10,447**
Original PWLB Loan	2,760	2,576	2,392	2,208	2,024	1,840
Futures Park Plot 5	1,950	1,850	1,750	1,650	1,550	1,450
Estimated New Debt			2,368	4,416	5,780	7,157
Capital financing Requirement (CFR)	**14,063**	**18,225**	**21,322**	**23,020**	**24,014**	**24,788**
Under / (over) Borrowing	9,353	13,799	14,813	14,747	14,661	14,342

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 7

Operational Boundary	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total External Debt	20,750	20,800	21,800	22,000	22,800

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

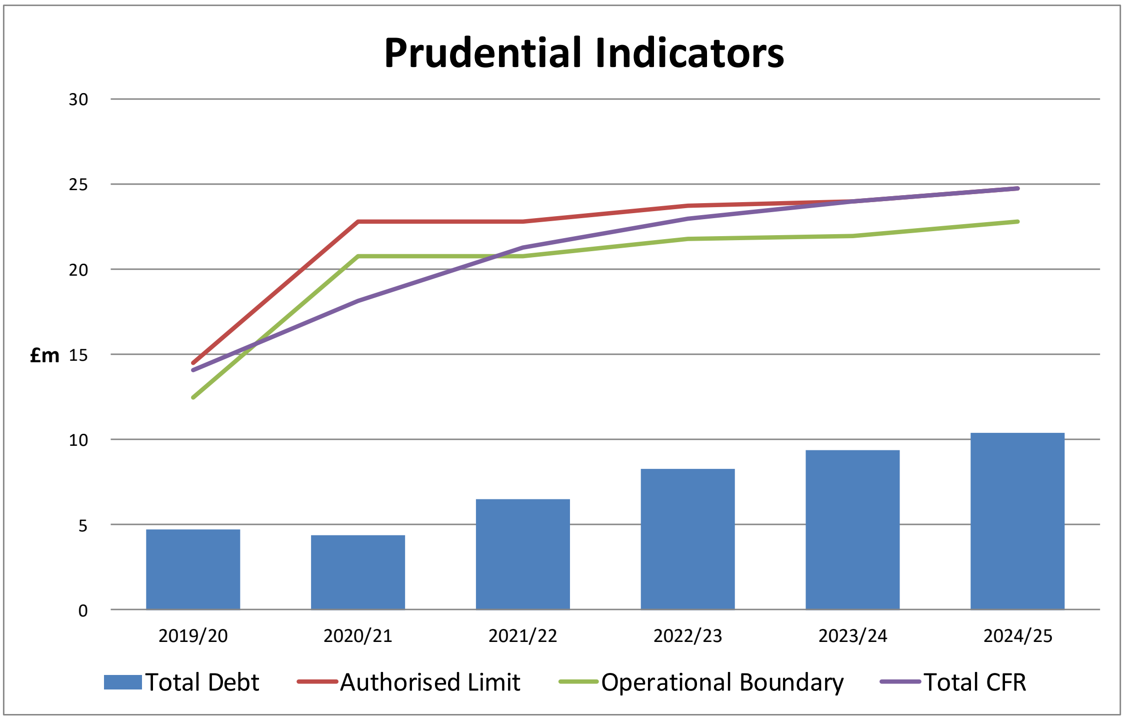
1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following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

Table 8

Authorised Limit	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total External Debt	22,750	22,800	23,800	24,000	24,800

In graphical terms the relationship between the total CFR, the current external borrowing and the suggested authorised and operational debt boundaries can be shown as follows, the prudent level of future potential borrowing is clearly visible as the gap between the predicted CFR and the current borrowing level.

Table 9



3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 26/11/20.

Table 10

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

Guilt Yields/PWLB Loan Rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in

PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)* It also introduced the following rates for borrowing for different types of capital expenditure: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, due to the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- The authority would not look to borrow more than 18 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

New financial institutions as a source of borrowing and / or types of borrowing

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

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

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

3.6 Approved Sources of Long and Short term Borrowing

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as debt liabilities:

- Leasing
- Hire purchase
- Sale and leaseback and similar arrangements

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions.

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. Investment instruments identified for use in the financial year are listed in appendix 5.4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Head of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the Council will only use banks which:
  i. are UK banks; and/or
  ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AAA

  and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
  i. Short Term – F1
  ii. Long Term – A
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.

- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Money Market Funds – using only those with AAA long term rating backed up with lowest volatility rating (MR1+)
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Housing associations
- Rossendale Leisure Trust to a maximum of £100k
- Other related parties (where a charge can be placed on land or equity to preserve the Councils right to its resources)

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

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

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

4.3 Other Considerations

Due care will be taken to consider the country, group and sector exposure of the Council's investments. For the foreseeable future this Council will only invest in UK based institutions.

Use of additional information other than credit ratings.

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

Time and monetary limits applying to investments.
All investments will be made for no more than 365 days, i.e. short term.

The proposed criteria for Specified and Non-Specified investments are shown in Appendix 5.4 for approval.

4.4 Investment strategy

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

Investment returns expectations.
Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):

Table 11

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by the deal the UK has agreed part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying

economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

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

Table 12

Upper limit for principal sums invested for longer than 365 days			
£m	**2021/22**	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	£m Nil	£m Nil	£m Nil

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, in order to benefit from the compounding of interest.

4.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Financial Monitoring.

4.6 External fund managers

The Council does not currently use external fund managers

5 APPENDICES

1. Prudential and treasury indicators
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management (option 1)
5. Treasury management practice 1 – credit and counterparty risk management (option 2)
6. Approved countries for investments
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2021/22 – 2023/24

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

5.1.1 Capital expenditure

Table 13

Capital Expenditure	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total Expenditure £'000
Operations & Communities	994	1,344	862	486	607	4,293
Customer Services & Buildings	837	100	100	100	100	1,237
Housing	2,866	1,600	1,500	1,500	1,500	8,966
Regeneration	5,260	2,915	1,771	1,250	-	11,196
Climate change	-	250	250	250	250	1,000
Estimated Expenditure	9,957	6,209	4,483	3,586	2,457	**26,692**

5.1.2 Affordability prudential indicators

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

5.1.3 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

Table 14

Ratio of financing costs to net revenue stream	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Interest Payable - Services	143	158	193	199	219	206
Interest Receivable	(88)	(4)	(5)	(5)	(5)	(5)
Net cost of capital	**55**	**154**	**188**	**194**	**214**	**201**
Net Revenue Stream	8,220	8,320	8,297	8,222	8,372	8,654
Ratio of financing costs to net revenue stream	**0.67%**	**1.85%**	**2.27%**	**2.36%**	**2.56%**	**2.32%**

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.4 Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

Table 15

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	**Upper**
Under 12 months	0%	40%
12 months to 2 years	0%	50%
2 years to 5 years	0%	50%
5 years to 10 years	0%	60%
10 years and above	0%	100%
Maturity structure of variable interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years and above	0%	0%

No lower limit is set in order to allow flexibility when managing the debt portfolio in the current economic conditions.

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2020-2024

Link Group Interest Rate View 9.11.20 (The Capital Economics forecasts were done 11.11.20) These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

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5.3 ECONOMIC BACKGROUND

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that “announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target”.
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”.
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.
- One key addition to **the Bank’s forward guidance in August** was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years’ time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

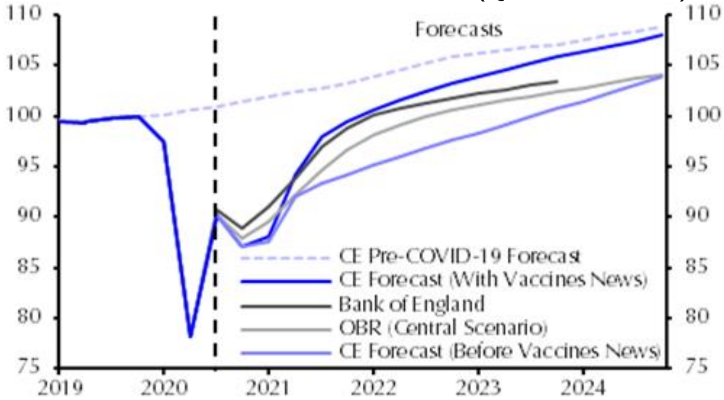
- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



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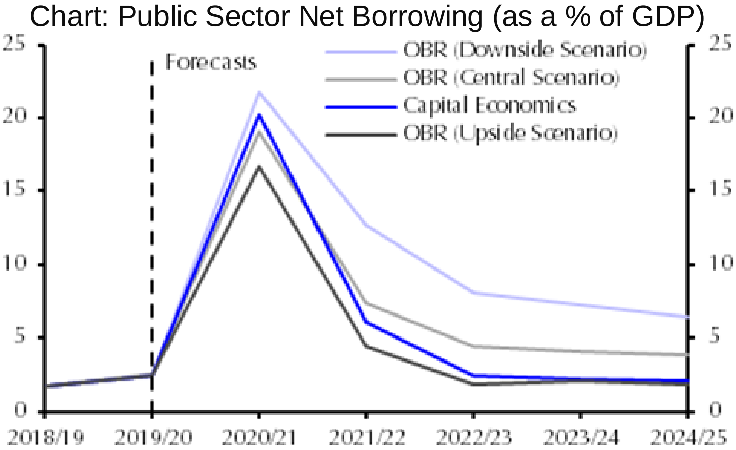
This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

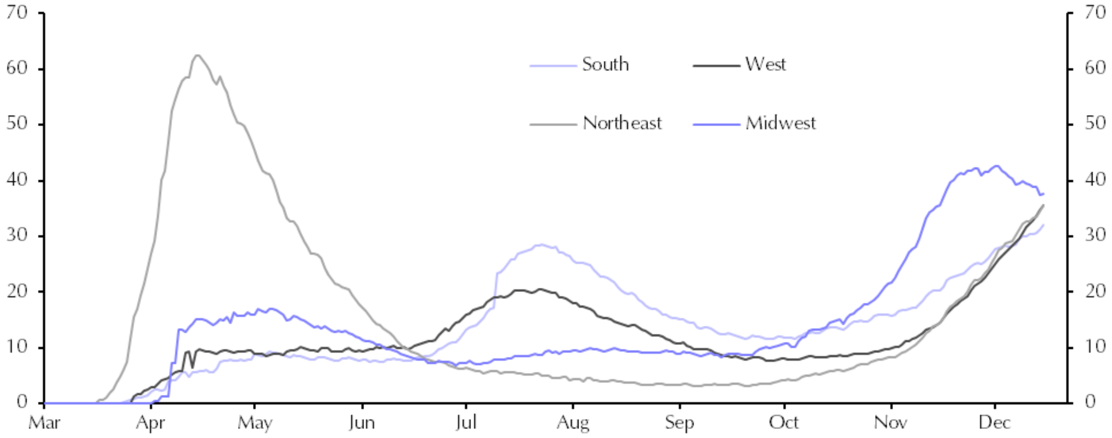
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-

2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to

actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

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

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 24/02/2010 and will apply its principles to all investment activity. In accordance with the Code, the Head of Finance has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

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

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

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

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

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated *A* by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short-Term rating of A (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. **These criteria are:**

- **the limit with any one bank is 12 months and up to £8m, or 50% of the resources available at the time of investing, whichever is the larger**.
- **The limit with the Governments Debt Management Office is 12 months and £unlimited.**

Non-specified investments – In response to falling bank interest rates and the challenges of the MTFS, the Head of Finance will explore alternative investment opportunities in order to save ongoing revenue costs or earn additional revenue incomes/interest. The counterparties in these cases will generally be related parties (as defined in the Accounting Code of Practice applicable to the year in which the investment decision was made).

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

5.5 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

In practice officers intend to only use UK banks.

5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of individual non-specified investment decisions during the financial year.

(ii) Cabinet

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.
- reviewing the treasury management policy and procedures and making recommendations to full Council
- consideration and recommendation of individual non-specified investment decisions during the financial year..

5.7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, nonfinancial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities.)
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on nonfinancial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

The Deputy S151 officer (being the Finance Manager)

In the absence of the S151 officer, the Deputy S151 officer will take over the responsibilities noted above.

The Finance Officer (Exchequer Services)

- Transfer of Funds between the Council's approved call accounts.

Authorised Signatories

The following posts have been designated as those authorised to act as bank signatories for the Council.

- Head of Finance
- Finance Manager
- Finance Officer (Exchequer Services)
- Senior Accountant
- Accounts Technician

APPENDIX 5.8 Glossary

Authorised Limit for External Debt
The Authorised Limit, like all other prudential indicators, has to be set and revised by elected members. It should not be set so high that it would never in any possible circumstances be breached but rather reflect a level of borrowing which while not desired, could be afforded, but may not be sustainable

bps – basis points – a common unit of measure for interest rates

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Requirement
This important component of an authority's capital strategy is the amount of capital spending that has not been financed by capital receipts, capital grants, and contributions from revenue. It is a measure of the underlying need to borrow for capital purposes.

CIPFA – Chartered Institute of Public Finance and Accountancy.

CPI – Consumer Price Index – measures change in the price level of a weighted average market basket of consumer goods.

Debt Rescheduling
Similar to re-mortgaging a house, in so far as, loans are repaid before maturity, and replaced with new loans, usually at a more advantageous rate of interest.

DCLG - Department of Communities and Local Government.

ECB – European Central Bank

GDP – Gross Domestic Product

IMF – International Monetary Fund

LIBOR – London Inter Bank Offer Rate

Liquidity - Access to cash deposits at very short notice.

Long term Investments - Investments with a duration of more than one year.

Market Loans
Loans borrowed from financial institutions such as banks and building societies.

Maturity - The date at which loans are due for repayment.

Net Borrowing Requirement
The Council's borrowings less cash and short term investments.

Operational Boundary for External Debt
This indicator is, as its name suggest, the focus of day to day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it

remains within the self imposed ‘Authorised Limit’. However it differs from the ‘Authorised Limit’ in being based on expectations of the maximum external debt of the authority according to probable- not simply possible-events and being consistent with the maximum level of external debt projected by the estimates.

Prudential Borrowing
This is borrowing wholly supported by the Council and would include `invest to save projects’. Market conditions permitting it may well be cheaper to borrow rather than lease vehicles and or plant.

Public Works Loan Board (PWLB)
A Government agency that provides longer term loans to local authorities.

Ratio of Financing costs to Net Revenue Stream
This is the proportion of interest payments plus debt repaid less interest receipts expressed as a proportion of the revenue stream. In the case of General Fund the revenue stream equates to the net budget requirement of less use of internal reserves (as funded by external income from Business Rates and Council Tax).

Short-term investment
Investments with a duration of less than or equal to 365 days.

Term Deposit
Investments for a pre-defined period of time at a fixed interest rate.

Upper Limit for fixed/variable interest rate exposure
This relates to the limit in loans which can be held in either fixed interest rates or variable interest rates. Whilst fixed interest-rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility through the use of variable interest rates.

Volatility
Sudden upward or downward movements in interest rates in reaction to economic, market and political events.

Rossendale
BOROUGH COUNCIL

Treasury Management Policy and Practices

2021/22

Contents

The Treasury Management Policy Statement

The treasury management policy statement

This council defines its treasury management activities as:

1. The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. This council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Clauses to be formally adopted

1. This Council will create and maintain, as the cornerstones for effective treasury management:
   - a Treasury Management Policy Statement (TMSS), stating the policies, objectives and approach to risk management of its treasury management activities
   - suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management Code (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
2. This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Head of Finance, and for the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the organisation's policy statement and TMPs
4. This organisation nominates Head of Finance to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

TMP 1 RISK MANAGEMENT

The responsible officer (in the case of Rossendale Borough Council, The Head of Finance) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods And Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1. Policy on the use of credit risk analysis techniques

1.1.1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.

1.1.2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors

1.1.3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.

1.1.4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits. This organisation will use the Sector creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by Link Asset Services "Treasury Solutions Credit Policy Guide December 2015" for a full explanation.

1.1.5. Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

1.1.6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

1.1.7. Maximum maturity periods and amounts to be placed in different types of investment instrument are shown below. At present the maximum investment period for Specified Investments is 365 days.

1.1.8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -

- Maximum amount to be placed with any one institution - £8m or 50%, whichever is greater at the time the decision is made.
- Group limits where a number of institutions are under one ownership – maximum of £10m
- Country limits – normally, a minimum sovereign rating of AAA is required for an institution to be placed on our approved lending list. However, UK banks will be considered regardless of the UK's sovereign rating at the time of investment.

1.1.9. Investments will not be made with counterparties that do not have a credit rating in their own right, other than in the case of Non-specified Investments where the counterparty is one of the Council's related parties and where a charge can be placed on land or equity in order to preserve the Council's rights to its resources.

1.1.10. The definition of 'high credit quality' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1.

1.1.11. Should the Council ever begin to use **external fund manager(s)** they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however, it is understood that fund manager(s) may use a subset of the counterparty list so derived.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Finance Officers shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. The use of alternative call accounts and short-term notice accounts (under 90 days) shall be used in order to achieve this aim.

1.2.2. Details of:

a. Standby facilities
At the end of each financial day the balance in the Council's current account is automatically transferred to/from the Special Business Investment Account (SIBA) to maximise the interest available on the Council's operational bank accounts. In practice the current account and the SIBA account are now operated as one account. Individual daily debit balances on the current account are not treated as an overdraft.

The Council also maintain one or more on-call, and notice accounts up to 90 days with other banks. These accounts are used for reserve cash balances which may be required without notice. Such instant access is possible, but would lead to some loss of interest commensurate with the notice period waived.

b. Bank overdraft arrangements
Previous overdraft facilities have now ceased due to the sweeping action described above and following the bank imposing an arrangement fee for overdrafts on the SIBA account.

c. Short-term borrowing facilities
The Council accesses temporary loans through approved brokers on the London money market. The approved operational borrowing limit for short term debt in 2021/22 is £14.7m.

d. Insurance/guarantee facilities
There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.3.1 Policies concerning the use of instruments for interest rate management.

a. <u>forward dealing</u>
   Consideration will be given to dealing from forward periods dependant upon market conditions.

b. <u>callable deposits (England and Wales only)</u>
   The Council may use callable deposits as part as of its Annual Investment Strategy (AIS), which now forms part of the Annual Treasury Management Strategy Statement. The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5 Refinancing Risk Management

The risk that maturing borrowings, capital projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.5.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;
b) to reduce the average interest rate;
c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Cabinet at the meeting immediately following its action.

1.5.2. Projected Capital Investment Requirements

The Finance Manager will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges. In addition, the responsible officer will draw up a capital strategy report which will give a longer term view.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three year period.

The Council will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015

Guidance and codes of practice

- CLG Revised Guidance on Investments 1.4.2010
- CLG guidance on minimum revenue provision – Feb 2012
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2011,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2014 Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The Non-Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following the scheme of delegation of treasury management activities contained in Treasury Management Strategy which states

- which officers carry out these duties
- which officers are the authorised signatories

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors. Lending can also be made to one of the Council's related parties or subsidiaries.

1.6.3 Statement on the Council's Political Risks and Management of Same

The Head of Finance shall take appropriate action with the Council, the Chief Executive Officer and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officer

It is the duty of the monitoring officer to ensure that the treasury management activities of the Council are lawful.

1.6.5. Chief Financial Officer

The Chief Financial Officer is the Head of Finance. The duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Financial Regulations section of the Council's Constitution.

Procedures

- The electronic banking procedures include internet access to the Council's bank accounts for both downloading statements and entering one-off same-day transactions. The electronic authorisation of transactions through chip and pin cards and passwords follows the same pattern of required signatories as paper transactions do (i.e. one signature up to £5,000 and two signatures for transactions over £5,000).
- Autopay online is the system used by the Council for the transfer of payment and collection files to the BACs processing centre. BACs collection and payment files are generated by the payroll, creditors, benefits and revenues software systems and transferred through a secure internet portal by the authorised signatories. Files must be generated, approved and sent by two different people.
- Full details of operational procedures are maintained by the Finance Officer (Exchequer Services).

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained by the Finance Officer (Exchequer Services). A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Head of Finance for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Head of Finance for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised, and repayments made, go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The NatWest Bankline system can only be accessed by a password and online payments require chip and pin authorisation from one or more of the bank signatories (two for payments over £5,000).
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Finance Officer (Exchequer Services). This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates and debt management expenses are calculated monthly using information from the financial ledger.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the General Fund.

1.7.2. Emergency and Contingency Planning Arrangements Disaster Recovery Plan.

The Council's main Business Continuity Plan includes a detailed section covering the essential financial systems and procedures, including banking, payments and revenue collection. All members of the treasury management team are familiar with this plan and new members will be briefed on it. The plan is reviewed and updated at regular intervals with both paper and electronic copies being available.

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.7.3. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal which covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £5.5m for any one event with an excess of £1k for any one event.

Professional Indemnity Insurance

The Council also has an 'Officials Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £nil for any one event.

1.8 Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments Whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement).

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions:

a. monthly reviews carried out by the Head of Finance and Finance Manager, reported as part of the regular financial monitoring reports to Cabinet.
b. weekly review reports from our treasury management consultants detailing current markets, forecasts and model portfolio returns.
c. annual review of performance and strategy with our treasury management consultants.
d. comparative reviews with neighbouring authorities.

2.1.2 Reviews with our treasury management consultants

The Head of Finance meets with our consultants every 12 months to review the performance of the investment and debt portfolios.

2.1.3 Annual Review after the end of the financial year

In addition to the regular financial monitoring reports to Cabinet, the end of March out-turn report includes an annual treasury management report which reviews the performance of the debt and investment portfolios. This report contains the following:

a. total debt and investments at the beginning and close of the financial year and average interest rates
b. borrowing strategy for the year compared to actual strategy
c. investment strategy for the year compared to actual strategy
d. explanations for variance between original strategies and actual
e. debt rescheduling done in the year
f. actual borrowing and investment rates available through the year
g. comparison of return on investments to the investment benchmark
h. compliance with Prudential and Treasury Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data can be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- Neighbouring Lancashire authorities
- Link Asset Services model portfolio

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment

The performance of investment earnings will be measured against the following benchmarks: -

a. Link Asset Services model portfolio

- *Weighted average rate of return*
- *Weighted average maturity*

Performance may also be measured against other local authority funds with similar benchmarks and parameters managed by other fund managers.

2.3 Policy concerning methods for testing Value for Money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a five-year basis. The process for awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

2.3.3 Money-broking services

The Council may use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

2.3.4 Consultants'/advisers' services

This Council's policy is not to appoint full-time professional treasury management consultants (Link Asset Services advise on an ad hoc basis, alongside automated updates).

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The following records will be retained:-

- Daily and monthly cash balance forecasts
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements (if applicable)

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring (if applicable)
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actual against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed

3.1.3.1. In respect of every treasury management decision made the Council will:

a) Above all, be clear about the nature and extent of the risks to which the Council may become exposed
b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

a) consider the ongoing revenue liabilities created, and the implications for the organisation’s future plans and budgets
b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

3.1.3.3 In respect of investment decisions, the Council will:

a) consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b) consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
c) in the case of investments outside the banking sector the Council will consider the appropriate level of asset security, such as Land Registry charges, local Land Charges, or holding asset deeds.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

4.2 Approved Instruments for Investments

Refer to the Treasury Management Strategy.

4.3 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP
- Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Treasury Management Strategy Statement sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy and capital programme
- approval of annual revenue budget

(ii) Cabinet

- recommendation of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and recommendations
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart

Head of Finance

I

Finance Manager

I

Finance Officer (Exchequer Services)

5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Finance (This post is also the S151 officer.) This officer will carry out the following duties: -

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
b) submitting regular treasury management policy reports
c) submitting budgets and budget variations
d) receiving and reviewing management information reports
e) reviewing the performance of the treasury management function
f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
g) ensuring the adequacy of internal audit, and liaising with external audit
h) recommending the appointment of external service providers.
i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
j) The responsible officer may delegate his power to borrow and invest to members of his staff, principally the Finance Manager, to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the bank signatories as approved in the Treasury Management Strategy Appendix 5.6.
k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code

(formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Finance Officer (Exchequer Services)

The responsibilities of this post will be: -

a) execution of transactions
b) adherence to agreed policies and practices on a day-to-day basis
c) maintaining relationships with counterparties and external service providers
d) supervising treasury management staff
e) monitoring performance on a day-to-day basis
f) submitting management information reports to the responsible officer
g) identifying and recommending opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented
b) Ensuring that the responsible officer reports regularly to full Council and Cabinet on treasury policy, activity and performance.

5.4.4. The Monitoring Officer

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
c) Giving advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.
b) Reviewing division of duties and operational practice.
c) Assessing value for money from treasury activities.
d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Finance Manager is also the deputy S151 Officer. The Finance Manager will also ensure that cover is available for the Finance Officer (Exchequer Services) and other treasury management officers as necessary.

5.6 Dealing Limits

The following posts are authorised to deal:

- The Head of Finance: limited to investments and loans of £5m per transaction. Amounts in excess of this limit should be by Scheme of Delegation.

5.7 Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

5.8 Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations.

5.9 Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged by this method. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.10 Settlement Transmission Procedures

A formal letter signed by an agreed bank signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through BACs or CHAPs to be completed by the appropriate bank deadlines in place that day.

5.11 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.12 Arrangements Concerning the Management of Third-Party Funds.

The Council does not currently manage any third-party funds. Trust funds are now held and administered by the Community Foundation for Lancashire.

5.13 Council Cheque and Bank Signatories

A list of the posts delegated with cheque and bank signatory authority are included within the appendices to the Treasury Management Strategy Statement.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

a) Annual reporting requirements before the start of the year: -
   a. review of the organisation's approved clauses, treasury management policy statement and practices
   b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
   c. capital strategy to give a longer term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning

b) Regular review by Cabinet within the Financial Monitoring Reports

c) Annual review report after the end of the year within the out-turn Financial Monitoring Report.

6.2 Annual Treasury Management Strategy Statement (TMSS)

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then to the full Council for approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
   a) Prudential and Treasury Indicators
   b) current Treasury portfolio position
   c) borrowing requirement
   d) prospects for interest rates
   e) borrowing strategy
   f) policy on borrowing in advance of need
   g) debt rescheduling
   h) investment strategy
   i) creditworthiness policy
   j) policy on the use of external service providers
   k) any extraordinary treasury issue
   l) the MRP/VRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy

Included within the Treasury Management Strategy Statement is the report on the Annual Investment Strategy which sets out the following: -

a) The Council's risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
c) Which specified and non specified instruments the Council will use
d) Whether they will be used by the in house team, external managers or both (if applicable)
e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Council will use
g) How the Council will deal with changes in ratings, rating watches and rating outlooks
h) Limits for individual counterparties and group limits
i) Country limits
j) Levels of cash balances
k) Interest rate outlook
l) Budget for investment earnings
m) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Policy Statement

This statement will be submitted as one element of the Annual Treasury Management Strategy Statement and will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing.

6.5 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

6.6 Regular and midyear review

The Council will review its treasury management activities and strategy on at least a six monthly basis, though in practice as part of regular financial monitoring to Cabinet. This review will consider the following:

a) activities undertaken
b) variations (if any) from agreed policies/practices

c) interim performance report
d) regular monitoring
e) monitoring of treasury management indicators for local authorities.

6.7 Management Information Reports, including a year-end performance report

Management information reports will be prepared for each Cabinet meeting, the final report going to the first available Cabinet after the year-end. These reports will contain the following information: -

a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
b) measurements of performance including effect on loan charges/investment income;
c) degree of compliance with original strategy and practices and explanation of variances.
d) any non compliance with Prudential limits or other treasury management limits.

6.8 Publication of Treasury Management Reports

Treasury Management information reports will be prepared for each Cabinet meeting and these are available as part of the agenda documents on the Council's website at www.rossendale.gov.uk .

The Annual Treasury Management Strategy Statement and the Treasury Management Practices are reviewed at the Full Council meeting each February and are again available as part of the agenda documents on the Council's website at www.rossendale.gov.uk .

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Head of Finance will prepare at least a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the ledgers
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values (if applicable)

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Head of Finance with quarterly reports to Cabinet. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within the Cabinet report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually and updated monthly and daily. The annual and monthly cash flow projections are prepared according to known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements via a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by the Finance Team.

8.3 Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay all creditors as per the agreed terms of trading.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Finance Manager is responsible for monitoring the levels of debtors and creditors.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will, without unreasonable delay, be passed to the Exchequer Team to deposit in the Council’s banking accounts. Cash and cheques banked the previous day will be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Head of Finance.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering Regulations 2007, 2012 and 2015

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007, 2012 and 2015. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

a) evaluate the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under POCA
e) appoint a member of staff to whom they can report any suspicions. This person is Head of Finance
f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is The Head of Legal and Democratic Services and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity Of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fca.gov.uk.

All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans.

TMP 10 Training and Qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Council
b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Personal Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Head of Finance to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The People and Policy department will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section in order to gain firsthand experience of treasury management operations.

10.4 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. All staff involved in treasury management activities must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks an
- The credit ratings of that government support

11.1.1 Banking Services

a) Name of supplier of service is the NatWest Bank.

b) Regulatory status – banking institution authorised to undertake banking activities by the FSA

c) The branch address is:

28 Bank Street
Rawtenstall
Rossendale
Lancashire
BB4 8TS
Tel :- 0151 802 9354 (Business Banking) or
0845 302 1511 (Branch Banking)

d) Contract commenced 1992

e) Cost of service is variable depending on a schedule of tariffs set annually applied to volumes of transactions

f) Payments are due monthly and quarterly

11.1.2 Money-Broking Services

The Council may use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed annually by the Head of Finance to check whether performance has met expectations.

a) Name of supplier of service is Link Treasury Solutions. Their address is 65 Gresham Street, London, EC2V 7NQ
b) Regulatory status: investment adviser authorised by the FCA
c) Cost of service in 2020/21 was £7,500.
d) Payments are due bi-annually in April and October

11.1.4 Procedures and Frequency for Tendering Services

As per the Council's contract procedure rules.

TMP 12 Corporate Governance

12.1.1 List of documents to be made available for public inspection

a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection: -

Treasury Management Strategy Statement

including the Annual Investment Strategy

Treasury Management Policy Statement

Minimum Revenue Provision Policy Statement

Treasury Management monitoring reports produced as part of the Council's regular financial monitoring reports to Cabinet.

Annual Statement of Accounts

Annual Revenue Budget and MTFS

Capital Strategy and 5 Year Capital Programme

Minutes of Council / Cabinet / committee meetings

Third party expenditure via quarterly corporate spend analysis published on the website to comply with the coalition government's transparency agenda.

TMP 13 Treasury management practices for non-treasury investments

This Council recognises that investments taken for non-treasury management purposes require careful investment management. Such investments include loans supporting service outcomes, investments in subsidiaries, or investment property portfolios.

For Rossendale Borough Council this could include the one-third investment in the Rossendale Together Barnfield Partnership and the land ownership at the Morrisons site in Bacup, the latter being held on the Council's Balance Sheet at a net book value of £550k at the 31st March 2019. During 2020/21 officers will consider these investments and prepare the information suggested below if they are determined to meet the definition of non-treasury investments.

The Council's annual treasury management strategy, Investment Strategy and similar documents will cover all the organisation's investments, and will set out, where relevant, specific policies and arrangements for non-treasury investments.

This schedule will include a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the authority's risk exposure. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

CIPFA suggests that authorities should replicate TMP 1-12 under TMP 13, as far as this is relevant, practicable and applicable. It particularly listed TMPs 1, 2, 5, 6, and 10. In this case, clients may feel that non treasury investments should be in a completely separate document to the TMPs covering treasury management.

Information suggested for non-treasury investments:

1.1 Risk management

The cross sectoral guidance notes state that authorities should be clear as to what powers have been used for each non treasury investment. Clients may therefore want to consider drawing up a summary listing of each non-treasury investment and detailing against each one such things as e.g.: -

- Name
- Date investment made
- Cost
- Expected income
- Approval by x committee / full council / officer (if using delegated authority)
- Legal power used
- Purpose e.g. income generation
- Service (where relevant)

This list could be sub divided into various categories e.g.: -

- Service investments
- Commercial investments taken for mainly financial reasons: -

    - Property inside the local authority area
    - Property outside the local authority area
    - Investments in subsidiaries
    - Investments in authority owned companies
    - Council owned commercial / industrial estates
- Loans to other bodies
- Loan guarantees

The cross sectoral guidance notes also suggest that the following should be documented for each investment: -

- The extent to which the capital invested is placed at risk
- The impact of any potential losses on the financial sustainability of the organisation
- Dates for periodic review to take account of changes in market and other conditions.
- Names of officers or title of posts outside of the treasury management team who are responsible for each non treasury investment and periodic monitoring