

22 November 2018

CABINET – 3 DECEMBER 2018

A meeting of Cabinet will be held at 6.00pm on Monday 3 December 2018 in the Council Chamber, Town Hall, Rugby.

Adam Norburn
Executive Director

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.
To confirm the minutes of the meeting held on 8 October 2018.
2. Apologies.
To receive apologies for absence from the meeting.
3. Declarations of Interest.
To receive declarations of –
 - (a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;
 - (b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and
 - (c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a prejudicial interest, the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Question Time.

Notice of questions from the public should be delivered in writing, by fax or e-mail to the Executive Director at least three clear working days prior to the meeting (no later than Tuesday 27 November 2018).

Growth and Investment Portfolio

Nothing to report to this meeting.

Corporate Resources Portfolio

5. Draft General Fund Revenue and Capital Budget 2019/20 and Medium Term Financial Plan 2019-23.
6. Treasury Management Report 2018/19 – Progress Report.
7. Finance and Performance Monitoring 2018/19 – Quarter 2.
8. Local Government Finance Act 1992 - Council Tax on Empty Properties.
9. Housing Acquisition Fund.
10. Calendar of Meetings 2019/20.

Communities and Homes Portfolio

11. Draft Housing Revenue Account Capital and Revenue Budgets 2019/20 and Medium Term Financial Plan 2019-23.
12. Service Level Agreements and one-off Community Grants for 2019/20.

Environment and Public Realm Portfolio

13. Statement of Gambling Policy.

The following item contains reports which are to be considered en bloc subject to any Portfolio Holder requesting discussion of an individual report

Nothing to report to this meeting.

14. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider the following resolution:

“under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

Growth and Investment Portfolio

Nothing to report to this meeting.

Corporate Resources Portfolio

1. Acquisition of Affordable Homes.

Communities and Homes Portfolio

Nothing to report to this meeting.

Environment and Public Realm Portfolio

Nothing to report to this meeting.

The following item contains reports which are to be considered en bloc subject to any Portfolio Holder requesting discussion of an individual report

2. Write Offs.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers (Ref. CAB 2018/19 – 6) are attached.

Membership of Cabinet:

Councillors Stokes (Chairman), Mrs Crane, Lowe, Mrs Parker and Ms Robbins.

CALL- IN PROCEDURES

Publication of the decisions made at this meeting will normally be within three working days of the decision. Each decision will come into force at the expiry of five working days after its publication. This does not apply to decisions made to take immediate effect. Call-in procedures are set out in detail in Standing Order 15 of Part 3c of the Constitution.

If you have any general queries with regard to this agenda please contact Claire Waleczek, Democratic Services Team Leader (01788 533524 or e-mail claire.waleczek@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.

If you wish to attend the meeting and have any special requirements for access please contact the Democratic Services Officer named above.

Agenda No 5

AGENDA MANAGEMENT SHEET

Report Title:	Draft General Fund Revenue & Capital Budgets 2019/20 and Medium Term Financial Plan 2019-23
Name of Committee:	Cabinet
Date of Meeting:	3 December 2018
Report Director:	Head of Corporate Resources and CFO
Portfolio:	Corporate Resources
Ward Relevance:	All Wards
Prior Consultation:	Cabinet 8 October 2018
Contact Officer:	Mannie Ketley - Head of Corporate Resources & Chief Financial Officer
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	Yes
Corporate Priorities:	This report relates to the following priority(ies):
(CR) Corporate Resources	<input checked="" type="checkbox"/> To provide excellent, value for money services and sustainable growth
(CH) Communities and Homes	<input checked="" type="checkbox"/> Achieve financial self-sufficiency by 2020
(EPR) Environment and Public Realm	<input checked="" type="checkbox"/> Enable our residents to live healthy, independent lives
(GI) Growth and Investment	<input checked="" type="checkbox"/> Optimise income and identify new revenue opportunities (CR)
	<input checked="" type="checkbox"/> Prioritise use of resources to meet changing customer needs and demands (CR)
	<input checked="" type="checkbox"/> Ensure that the council works efficiently and effectively (CR)
	<input checked="" type="checkbox"/> Ensure residents have a home that works for them and is affordable (CH)
	<input checked="" type="checkbox"/> Deliver digitally-enabled services that residents can access (CH)
	<input checked="" type="checkbox"/> Understand our communities and enable people to take an active part in them (CH)
	<input checked="" type="checkbox"/> Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background: Under the Local Government Act, an authority must set a council tax and balanced budget, giving 14 days' notice of the council tax level prior to the date of billing. The Council must set a budget before 11 March of each year.

Summary: This is the second Draft Budget Report to include Capital and Treasury commitments for 2019/20 through to 2022/23.

Financial Implications: As detailed in the main report.

Risk Management Implications: The Council has a statutory duty to set an annual General Fund Revenue budget that will enable it to determine the level of council tax.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: There are no Equality and Diversity implications arising from this report. It may be necessary later on in the budget process to carry out Equality Impact Assessments of the implications of any service changes.

- Recommendation:**
- (1) The updated draft General Fund Revenue and Capital Budget position for 2019/20 be considered alongside the Council's 2019-23 Medium Term Financial Plan; and
 - (2) Cabinet considers the key decisions identified to date and identifies other

policy or service changes required for consideration to deliver a balanced budget for 2019/20.

Reasons for Recommendation: This updated overview of the Council's General Fund revenue and capital budgets needs to be considered by Cabinet as part of the budget setting process and to ensure its affordability and contribution to the Council's ambition to achieve self-sufficiency by 2020.

The report includes proposals for savings and income generation which require consideration for inclusion in the 2019/20 draft budgets and also the medium term.

Agenda No 5

Cabinet - 3 December 2018

Draft General Fund Revenue & Capital Budget 2018/19 and Medium Term Financial Plan 2018-22

Public Report of the Head of Corporate Resources and CFO

Recommendation

- (1) The updated draft General Fund Revenue and Capital Budget position for 2019/20 be considered alongside the Council's 2019-23 Medium Term Financial Plan; and
- (2) Cabinet considers the key decisions identified to date and identifies other policy or service changes required for consideration to deliver a balanced budget for 2019/20.

1. Introduction

This is the second report from the Head of Corporate Resources in her capacity as the Council's Chief Financial Officer.

The first budget report was presented to Cabinet on 8th October 2018, which provided an initial overview of the Council's financial position for 2019/20, taking into consideration the latest intelligence on the reform of the local government funding system. The report also provided an update on the progress that had been made in closing the medium-term budget gaps, since the 2018/19 budget was set in February 2018.

The purpose of this report is to present a detailed updated draft General Fund revenue position (see section 7), a capital position (see section 8) for 2019/20 and onwards, plus an updated Medium Term Financial Plan (see section 9), since the report to Cabinet in October.

Cabinet will further consider more detailed updates on the draft revenue and capital General Fund budgets right through to final budget setting and Council Tax determination at Full Council on 26th February 2019.

This report includes eight appendices;

- **Appendix 1** is a summary position for 2019/20 detailing the various changes made to the 2018/19 original budget.
- **Appendix 2** identifies by service the proposed growth items for 2019/20. This appendix also shows whether corresponding savings (Appendices 3 or 4) have been identified to offset the growth.

- **Appendix 3** identifies by service the proposed income increases (-) or shortfalls (+) for 2018/19.
- **Appendix 4** identifies by service proposed savings items for 2019/20. The appendix also shows where savings have been used to offset proposed growth (Appendix 2) and details are provided.
- **Appendix 5** identifies the draft capital programme for 2019/20 onwards based on scheme proposals from budget officers, along with proposed funding splits, revenue implications, and a projection for capital receipts usage.
- **Appendix 6** provides a more detailed appraisal of the draft capital programme for 2019/20 onwards.
- **Appendix 7** shows the initial Medium Term Financial Plan 2019-23.
- **Appendix 8** a detailed report on Saving Proposal for the Parks Service
- **Appendix 9** a detailed report on Saving Proposals for the Waste Service
- **Appendix 10** a risk assessment of General Fund reserves and balances

2. Budget Context and Development

2.1. Overview and Context

The initial budget report to Cabinet in October presented a draft 2019/20 budget showing a deficit of approximately £346,000, subject to the approval of a suite of key decisions offering savings outlined at £515,000.

Since October the services have been firming up the proposals and key decisions, alongside looking at options to mitigate pressures around homelessness. This has resulted in an updated deficit for 2019/20 of **£333,000**. Table 1 provides the details of the main changes.

Main Changes - 2019/20	£'000
October 2018 deficit	861
Changes to Business Rates funding based on 2018/19 Q2 forecast	-187
Transfer of Business Rates growth to Reserves	187
Transfer of Council Tax Collection Fund Surplus to Reserves	72
Changes to Net Cost of Borrowing based on latest economic information	-55
Adjustment to Income Targets for Hall of Fame	186
Other Services changes	-52
Key Decision - Housing Acquisition proposal as detailed within a separate report on the agenda	-218
Key Decision - Additional saving from the removal of discounts for Empty Homes, as detailed within a separate report on the agenda	-36
Key Decision Removal – the proposal relating to grass verge maintenance (urban and rural) has been removed	120
Key Decision - Additional savings from reducing Garden Waste collection to a 9-months a year scheme	-30
Total deficit including changes since October	848
Less Key Decisions included in October	-515
Revised Deficit Position December	333

Table 1 – Summary of budget changes October to December Budget Report

However, a number of these key decisions are based only on initial indicative estimates of the possible savings that could be realised and therefore at this stage are presented to Members primarily for their consideration for further development. Should Members wish not to continue to explore these options then other alternative savings will need to be identified in order to deliver a balanced budget.

The 2019-23 Medium Term Financial Plan has also been revised to reflect the inclusion of the additional key decisions.

2.2. Financial Self-Sufficiency

The achievement of financial self-sufficiency by 2020 is one of the Council's overarching corporate priorities is to. This is defined as:

It is necessary to remove reliance on arbitrary funding from central government which doesn't sufficiently keep pace with changes in local factors and the needs of the population. Instead, sources of income for the Council need to result from decisions the organisation makes; be that from service charges, local taxation, economic growth or investment income. Alongside income, it is equally important to be able to directly control the Council's expenditure; by reducing exposure to changes from other organisations and ensuring procurement is smart.

To aid the achievement of this priority, a suite of policies was approved by Council within the 2018-22 Medium Term Financial Strategy. The adoption of these policies are reflected in this draft budget and are directly referred to within the relevant sections of this report. The two most fundamental policies relate to the utilisation of excess New Homes Bonus and Retained Business Rates, as explained in the following narrative.

Business Rates

The Medium Term Financial Strategy adopted by Council in April, included the following policies in relation to Retained Business Rates:

- The net income budget for business rates will be budgeted as follows:
 - 2018/19 – equivalent to 2020/21 income levels with 50% growth retention
 - 2019/20 – equivalent to 2020/21 income levels with 37.5% growth retention;
- Beyond the reset, it is proposed to gradually reduce the amount of business rates growth included in the base budget, with the long-term aim of only budgeting at the 'funding baseline' in the base budget; and
- After the reset all growth retained above the funding baseline is utilised to make revenue contributions to finance capital expenditure

The objective of these policies was to prepare the Council for the potential financial losses that may be experienced as a result of the reset of the business rates system in 2020/21, by reducing the proportion of business rates income included in the base budget. This tapering of income in the base budget reduces the impact of a potential cliff-edge reduction in funding in 2020/21.

New Homes Bonus

The Medium Term Financial Strategy adopted by Council in April, included the following policies in relation to New Homes Bonus:

A proportion of the Council's NHB allocations be withdrawn from the base budget by the 2020, with the monies ring-fenced for revenue contributions to capital expenditure.

This policy was adopted for the same reasons explained above for business rates; in that in order to achieve financial self-sufficiency, the organisation will need to taper its reliance on New Homes Bonus within its core income budget.

2.3. Autumn Budget and Local Government Finance Settlement

The Chancellor of the Exchequer, Philip Hammond presented his first Autumn Budget to Parliament on 29th October 2018. The main headlines included;

- The chancellor told the Commons austerity is “coming to an end”.
- An £650m additional grant funding for adult social care in 2019/20,
- An additional £55m for Disabled Facilities Grant will be made available in 2019-20
- An increase in the threshold for Small Business Rate Relief, to be fully funded by Government.
- There will be £657m co-funding to help local authorities manage the changing pressures on the local high street.
- The HRA cap that controls local authority borrowing for house building will be abolished from 29 October 2018, enabling councils to increase house building to around 10,000 homes per year.

The Provisional Local Government Finance Settlement 2019/20 has been confirmed for 6th December 2018, however as reported previously, because the Council has accepted the four-year settlement offer little change to the projections contained within this report are expected.

The main candidates for potential change from either announcement are likely to be minor amendments to either business rates or New Homes Bonus.

For New Homes Bonus there may be an amendment made to the baseline funding level. This is currently set at 0.4% of growth, which for Rugby means that the Council does not receive NHB funding for the first 150 homes delivered each year. For every 0.1% increase in the baseline the Council would lose approximately £50,000 and therefore this budget projection is still subject to some uncertainty.

3. Funding Update

3.1. Financial Modelling Assumptions

As reported in October, there are several risks that the Council faces due to the forthcoming funding reform, the most significant are:

- i. Loss of existing growth due to the Business Rates Reset

- ii. The outcome of the Fair Funding Review providing a reduction in our assessed funding need
- iii. Significant changes and possible end of the New Homes Bonus scheme.

This uncertainty makes financial planning for 2020/21 and beyond extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes. If all three came in to affect, cumulatively the potential losses aggregate to a sizable financial loss, however this is not considered as a realistic scenario and it is expected that there will be transitional protection built into the system to prevent authorities from losing more than a set amount each financial year.

At this stage, it has been assumed that maximum loss of resources in 2020/21 will be capped at **10%**, which for Rugby will be approximately £1.6m. Therefore, this protection has been built into the medium term plans to ensure the forecasts are not too pessimistic, enabling considered decisions to be made in order to balance the budgets.

Chart 1 shows a range of different financial outcomes that might arise for Rugby Borough Council across the medium term.

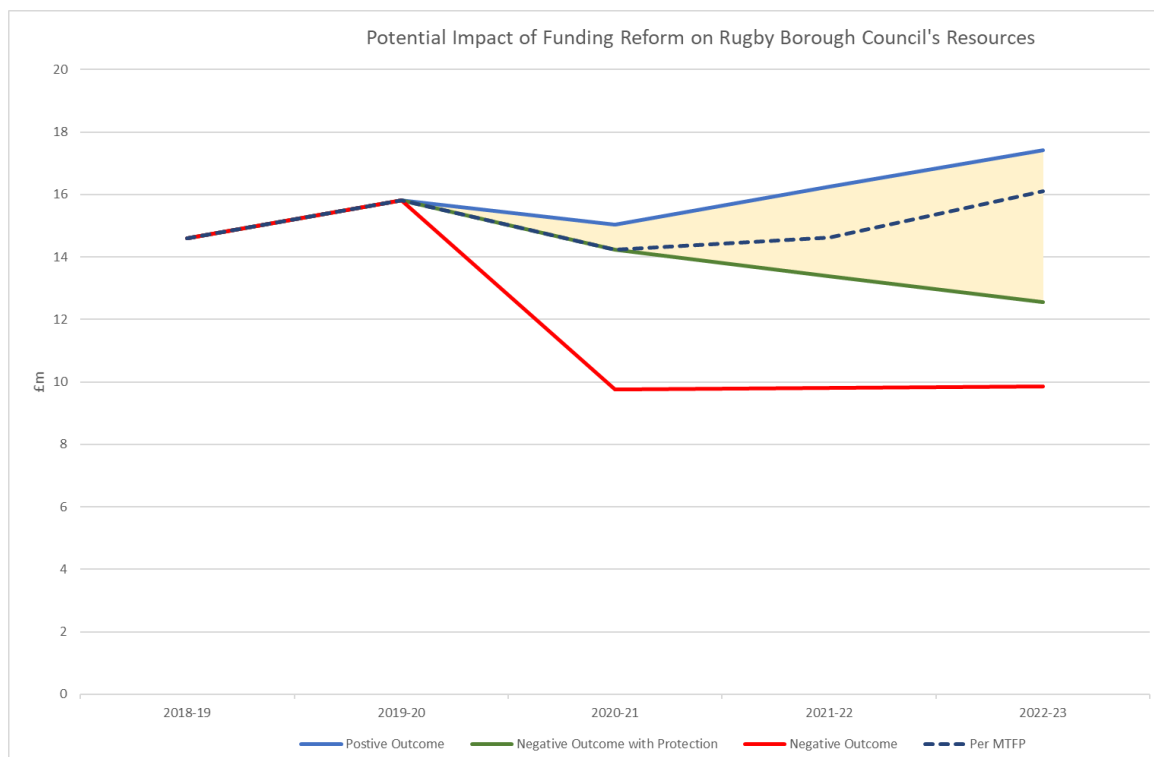


Chart 1 – Impact of Funding Reform

The dotted blue line represents the funding position, as per the Council’s MTFP assumptions within this report. It shows that during the early stages of the MTFP, the Council's funding does drop but because of the transitional protection the losses are limited to 10% and as such funding reduces from £16.5m to £15m between 2019/20 and 2020/21. However, later into MTFP the Council again begins to benefit from growth in the business rates and NHB and funding returns to around the £16m position by 2022/23.

The red line presents a scenario where a negative or unfavourable outcome from the funding reform is delivered, but where there is no transitional protection in place. Under such a

scenario, the Council would see its deeper reductions in its resources reduce from approximately £14.5m to £10m between 2019/20 and 2022/23. This would represent a £4.5m or 31% reduction in total resources.

However, as previously mentioned, such a negative scenario is considered too pessimistic, as it would be extremely challenging for the government to deliver such reform. Therefore, the green line on the chart represents the same a negative outcome (as per the red line), but where transitional protection is provided. In this situation the Council's funding would drop on a more gradual basis across the medium term, with approximate 10% reductions per annum, but would still drop to approximately £11m across the longer-term.

The solid blue line presents a scenario where a positive or favourable outcome from the funding reform is delivered for Rugby Borough Council. In such a scenario the Council's resources would stabilise around the £16m mark across the medium term, before growing to approximately £18m in the longer-term.

The following key variables have been adjusted to produce this model.

Variable	Positive Outcome	Negative Outcome	RBC Current Assumptions
Existing Growth Retained at initial reset	25%	0%	0%
S31 Grants – Multiplier Cap	Removed	Removed	Removed
Business Rates Levy applied	20% threshold	20% threshold	20%threshold
Impact of Fair Funding Review	No change	Loss of £1m from our assessment	No change
Future of New Homes Bonus	No change	Gradually discontinued	No change
Transitional 'damping' protection	5% limit on reduction in resources	10% limit on reduction in resources	10% limit on reduction in resources

Table 2 – Financial Modelling Assumptions

3.2. Business Rates

The main financial risk the Council faces remains to be an impending reset of the current system. Resetting the system would redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced. Earlier this year, the Government consulted on a partial reset, but advised has been subsequently received that the Government are considering a full baseline reset in 2020/21.

The Council has responded firmly on our view that growth should be retained by the authority for longer than the reset period.

The following table has been updated since October to reflect the most up-to-date information, illustrating how varying the proportion of business rates that can be retained after the reset would impact on the actual amount of income the council would retain.

December Forecast – Full Reset	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
A partial reset with 25% of the growth retained	-6.257	-3.249	-3.585	-3.664
A full reset in 2020/21 based on the 2018/19 data	-6.257	-2.901	-3.230	-3.302

Table 3 – Business Rates Retained December Forecast

As reported in October, the Council’s financial modelling continues to be centred on the assumption that there will be a full reset in 2020/21. The following table shows how the forecast has changed since the October report.

Comparison of forecasts Q1 v Q2 – Full Reset	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Q2 - December Forecast for a full reset in 2020/21	-6.257	-2.901	-3.230	-3.302
Q1 - October Forecast for a full reset in 2020/21	-6.070	-3.487	-3.583	-3.672
Movement	-0.187	0.586	0.353	0.370

Table 4 – Comparison of Business Rates October Vs December Reports – full reset

The movement from October can be explained by the following:

- Actual business rates income has increased in quarter 2 and is higher than estimated on our NNDR1. This is mainly due to additional business rates income from new properties that have come onto the valuation list at a higher rateable value than estimated.
- Based on latest intelligence it looks like there will be some form of levy in 2020-21. The latest business rates modelling has reinstated the levy in its current form.

As explained in section 2.2, this draft budget reflects the policy to remove excess growth above the ‘funding baseline’ out of the core income budget after the baseline reset in 2020/21. Effectively the base budget allocation for retained business rates income would be set at a sustainable level, by mirroring the ‘baseline funding level’ which is Central Government’s determination of the balance net resources (after Council tax and other funding sources) that the Council needs to retain via the rates system in order to provide its services. Any excess growth income retained above this level, would not be included in the base budget.

The following table shows how the funding for Business Rates would be allocated with a proportion of business rates over and above previously reported core funding over the medium term. This is based on the proposed Full Reset.

Detailed Business Rates funding - Full Reset	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Settlement Funding Assessment (SFA)	-2,376	-2,278	-2,320	-2,364
Share of sustainable Rates vs BRB	-5,132	-822	-1,050	-1,356
Excess Growth to BRR Reserve	-1,729	0	-336	-79
Business Rates Levy	3,431	199	477	497
S31 BRR Grant	-251	0	0	0
Pooling Dividend	-200	0	0	0
Total Retained Income	-6,257	-2,901	-3,230	-3,302
Transitional Damping	0	-1,055	0	0
Total Retained Income	-6,257	-3,956	-3,230	-3,302
Transferred to Business Rates Equalisation Reserve	187	0	336	79
Total Business rates funding	-6,070	-3,956	-2,894	-3,223

Table 5 – Detailed Business Rates Funding - Full Reset

From table 5 it can be seen that there is little adjustment to the SFA income streams at an average £2.4m which includes the Baseline Funding Level. As previously indicated the Fair Funding Review will be focussing on this area of funding for all authorities which presents a risk to the Council if the assessment of needs is reduced.

The share of Rates and Business Rates Levy reduces significantly by £2.8m in 2020/21 and then factors in anticipated growth for future years.

In this draft budget, excess growth above the sustainable level previously budgeted for is currently diverted to the Business Rates Equalisation reserve, with allocations of £187,000 in 2019/20, £336,000 in 2021/22 and £79,000 in 2022/23. The approved policy within the MTFS stated that excess growth should be utilised as revenue contributions to finance capital expenditure, however the RCCO's from NHB are more than sufficient to finance the capital programme by 2022/23. Therefore, it is proposed that the excess growth instead be allocated to the Business Rates Equalisation reserve.

In addition, the Draft Budget proposed for 2019/20 includes a collection fund deficit of £941,000 which will be offset against a transfer from the Business Rates Equalisation Reserve.

3.3. New Homes Bonus

New Homes Bonus (NHB) is calculated on the net increase in dwellings as recorded on the DCLG Council Tax Base (CTB) return in October each year.

The NHB calculation has been updated using the actual CTB data and the revised figures are shown in the table below. There is an increase in income compared to the forecasts reported to Cabinet in February 2018, which were informed by the Housing Trajectory produced by the Economic Development Service.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £000
NHB Forecasts per February 2018	-2,031	-2,297	-3,113	N/A
Revised NHB Per CTB form	-2,149	-2,441	-3,279	-4,032
Increase in NHB Income	-118	-144	-166	N/A

Table 6 – New Homes Bonus Forecast

As explained in section 2.2, in the 2018-22 Medium Term Strategy, the Council agreed to taper its reliance on NHB income within the core income budget, in order to achieve financial self-sufficiency.

Any additional allocations over and above the reported figures have been transferred and ringfenced for revenue contributions to capital outlay (RCCO) to reduce the reliance on borrowing to finance the General Fund capital programme.

The amounts included for RCCO are shown within table that follows;

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
RCCO per February 2018	0	266	816	0
In year change	118	26	22	1,025
Total December 2018	118	292	838	1,025

Table 7 – Revenue Contributions to Capital December

The implication of the adoption of this policy, is that the Council will finance a greater proportion of its capital programme using revenue resources with an equivalent reduction in the proportion of the programme being financed by borrowing.

This has the effect of allowing the Council to remove the need to borrow to finance its capital programme by 2022/23. Furthermore, the Council would also be able to make Voluntary Revenue Provision from 2022/23 onwards, effectively meaning the Council was overpaying its scheduled debt repayment. Consequently, the Council would eliminate its General Fund underlying debt holding by 2032, compared to an existing 2052 timeframe.

The reduction in MRP and Net Cost of Borrowing costs arising from the adoption of this policy is as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Reduction in MRP	0	23	67	116
Reduction in Net Cost of Borrowing	3	10	31	57
Total	3	33	98	173

Table 8 – Reduction in MRP and NCOB arising from RCCO

3.4. Council Tax

It is anticipated that district councils will again be permitted to increase their Band D equivalent council tax by 2.99% for 2019/20. As per the policy adopted in the Medium Term Financial Strategy, for financial planning purposes a maximum increase in Council Tax has been assumed at 2.99% for all years.

At this stage, the Council Tax base assumptions are informed by the Housing Trajectory produced by the Economic Development Service for the Local Plan. For 2019/20, it is estimated there will be a 2.8% increase in the Tax base compared with 2018/19.

The actual Tax base for the whole area is calculated in December and approved at January Cabinet. These figures will form part of the Council setting paper approved by Cabinet in February 2019.

Within the Medium Term Financial Strategy, a policy was approved to establish an earmarked reserve to mitigate possible reduction in the council tax base due to changes in economic conditions. Therefore, it is proposed that the current estimated Collection Fund surplus of £72,000 be allocated to such a reserve.

4. Revenue Budget Pressures and Savings

4.1. Growth Assumptions

As previously reported the budget for 2019/20 includes known pressures for the next 12 months and total £1.100m, with full details given within Appendix 2. Key assumptions and considerations underpinning this projection are:

- Pay award assumptions for all years of MTFP is 2%
- Further salary adjustments for 2019/20 based on the latest establishment, salary information and any new appointments
- Increased payment required to meet pension charges as per the 2016 Actuarial valuation, which has been included within the salary adjustments
- Inflation is calculated based on individual proposal information and,
- In Service Pressures

The growth items have only marginally increased when compared with the October budget report following further review of salaries and inflation.

4.2. Income Assumptions

Appendix 3 provides the detailed proposals included within the budget for 2019/20 and totals £215,000.

4.3. Savings Assumptions

Appendix 4 provides the detailed proposals included within the budget for 2019/20 and totals £370,000 excluding key decisions.

4.4. Minimum Revenue Provision

It is recommended in the Treasury Management 2018/19 Progress Report, included elsewhere on this agenda, that an amendment be made to the Council's policy for the Minimum Revenue Provision (MRP), where it is proposed to change to an asset life - annuity method for the calculation of MRP. The impact of this change has been included in the budget required for 2019/20 of £1,817,000 and includes the benefit of £278,000 when compared with the 2019/20 budget published in February 2018.

4.5. Net Cost of Borrowing

Budgets for Net Cost of Borrowing reflect the latest interest rate forecasts provided by our treasury advisors, Link Asset Services for the period 2019 to 2022. Bank Rate is anticipated to rise to 1.25% by March 2020, to 1.50% by March 2021, and to 2.00% by March 2022. Amounts available for investment reflect available cash-backed General Fund and HRA balances, reserves and receipts forecast elsewhere in this report and in separate HRA budget setting documents. Borrowing requirements reflect the forecast General Fund Capital Financing Requirement (CFR) which tracks capital expenditure not financed from other sources, net of MRP, each year.

4.6. Corporate Adjustments – Portfolio Budgets

The budget approved in February 2018 totalled £15.4m. The reported budget for 2018/19 includes carry-forwards, supplementary budgets and in year adjustments to the corporate savings target.

The total corporate adjustments reported within Appendix 1 of £480,000 includes the reversal of these one-off adjustments, in addition to the following items;

- The initial estimated net **£72,000** credit to the General Fund resulting from changes in internal recharges applied to the Housing Revenue Account.
- A **£60,000** adjustment to reprofile and defer the savings to be delivered through the digitalisation programme to later in the Medium Term Financial Plan. This recognises the time taken to embed the new ways of working and realign the saving to reflect the implementation of the projects over the next 18 months.
- Following the implementation of new employee terms and conditions in July 2017, a **£45,000** saving from a reduction in car allowance payments will be recognised in the 2019/20 budget.

4.7. Fees and Charges

The Council approved Medium Term Financial Strategy assumes that fees and charges will be reviewed to annually and as a default be increased by inflation, unless approved by Members. The fees and charges review is nearing completion and the outcome of this exercise will be reported to Cabinet at its January meeting.

4.8. Outturn 2018/19

The Quarter 2 Finance and Performance Report presented to Cabinet in December provides an in year favourable variance of £225,000. This is mainly due to;

- Vacancies across the organisation
- Underspends within MRP and net cost of borrowing.

In addition, the Corporate Savings target is also on track to deliver £360,000 of in year savings with £40,000 being delivered recurrently through improved ways of working via digitalisation.

4.9. Other Significant Items

The section below sets out the other significant income and expenditure items included in the draft 2019/20 budget.

- The Council continues to invest **£150,000** to enhance the Town Centre, to be met from the additional business rate income the Council is budgeting to receive in 2019/20 from the Elliott's Field Retail Park (Phase 1) and Junction 1 Retail Park
- A total of **£679,000** proposals listed within the key decisions table
- A total of **£205,000** set aside for revenue contributions for Capital Outlay (RCCO)
- A further **£1,363,000** transferred into the business rates equalisation reserve to help mitigate the anticipated reduction in funding from business rates reset and fair funding in future years.

5. Key Decisions

As explained above, the 2019/20 draft budget currently presents a deficit of £333,000, however this position includes estimated financial implications that relate to a number of key policy decisions that have been produced and presented by officers for Members' consideration in order to reduce the budget deficit.

These proposed policy changes, their possible financial implications and stage of development are set out in the table below.

Key decisions for consideration 2019/20	£'000
Council Tax on Empty Properties - Remove discounts on empty properties	62
Council Tax on Empty Properties - Increase premium on long term empty properties	4
Voluntary redundancies plus reduced hours	100
Community Safety - Remove vacant post for Crime and Disorder Manager	45
Pre-Planning application charging for Major Developments	20
Large open spaces – creation of biodiversity areas through reduced frequency of grass cutting	20
Waste and recycling collections urban and rural – Review of non-kerbside collections	150
Reduction in Garden Waste collection to 4-weekly for 3 winter months	30
Additional savings from reducing Garden Waste collection to a 9-months a year scheme	30
Acquisition Fund- Purchasing properties to reduce temporary accommodation costs	218
Total key decisions for consideration	679

Table 9 – Key Decisions for consideration

5.1. Council Tax discount on Empty Properties

This key decision was deferred from the 2018/19 budget setting process and represents the additional council tax that would be collected if the existing relief on empty properties is removed. A separate report presented elsewhere on this agenda, recommends options for policy change in this area for Cabinet's approval

5.2. Council Tax premium on Empty Properties

Since 2013, Rugby Borough Council has also charged a 50% premium on properties that have been empty for more than 2 years. From 1st April 2019, new legislation allows for this to be increased further. This is also part of the separate report presented elsewhere on this agenda, that recommends options for policy change in this area for Cabinet's approval

5.3. Voluntary Redundancies plus reduced hours

Senior Management Team have invited staff to express an interest in voluntary redundancy or reducing their hours. The exact timescales for the consideration of these requests has yet to be finalised, but it is expected that Cabinet will be presented with a proposal at its January meeting. As such savings above are only presented on an indicative basis, based upon an estimated four to five proposals being accepted.

5.4. Community Safety

The Crime and Disorder manager post has been vacant for several months. In light of operational efficiencies and a more holistic approach to Rugby Borough Council Community Safety activity, it is proposed that the Community Safety Manager post be disestablished, with existing staff members assuming some additional duties. This would ensure that Rugby Borough Council can continue to meet legislative requirements and work alongside the Community Safety Partnership to support several key safety initiatives in line with the Council's corporate priorities. This proposal would save approximately £45,000 in salary costs.

5.5. Pre-Planning application

This reflects an estimated increase in income should the Planning Service introduce a charging schedule for pre-application advice (major applications). Any future charging schedule will need to be benchmarked against neighbouring Local Authorities before being introduced.

5.6. Parks and Grounds Maintenance

The Parks and Grounds Manager has reviewed current operations and has identified a proposal that will provide financial and operational savings. There is a separate service report at Appendix 8.

It is proposed to reduce grass cutting on large open spaces within Rugby. Longer grass in some areas is supported by Warwickshire Wildlife Trust and we are working alongside them to create more biodiverse areas. The proposal would be to only cut these areas once a year and treat such spaces as urban meadows. This would generate savings of approximately £20,000 per annum.

5.7. Waste Collection

The Waste and Transport Manager has recently completed an analysis of the current Waste operations and identified three proposals for efficiencies and savings. There is a separate service report at Appendix 9.

Proposal 1 - By ceasing doorstep collections within rural areas (affecting approximately 1000 properties) and instead asking the householder to present their bins at the edge of the roadside for collection, it is estimated that this would result in an operational saving of approximately £75,000.

Proposal 2 - Using the same approach as with the rural areas, the Council proposes to collect from the kerbside only within all urban areas. This would mean no longer collecting from rear alleyways of approximately 2000 properties in the Borough. Instead bins would need to be presented at the kerbside for collection. This would result in an operational saving of approximately £75,000.

Proposal 3 (a)- It is proposed to change the Garden Waste Scheme from April 2019. From April to November collections would continue to be done fortnightly, as with the current scheme, however, for three months of the year from December to February it is proposed to carry out collections four weekly, when there is a 70% reduction in the tonnage of waste collected. This would result in a saving on the use of agency staff and vehicle costs and it is anticipated that this would save approximately £30,000.

Proposal 3 (b) – Further savings could be realised by reducing the Garden Waste Scheme to a nine-month service only, with no collections made between December and February, when there is a 70% reduction in the tonnage of waste collected. This would result in a further saving of £30,000, in addition to proposal 3 (a), on the use of agency staff and vehicle costs. Therefore, the total savings from option 3 (b) in combination with option 3 (a) are £60,000.

5.8. Acquisition Fund – Temporary Accommodation

The most significant change to the draft budget position since October, is a proposal to mitigate pressures relating to the provision of temporary accommodation for homelessness. In October it was reported a net growth pressure in relation to the homelessness service was anticipated for 2019/20.

A separate report included elsewhere on this agenda for Cabinet's consideration recommends the introduction of a £12.9m Housing Acquisition Fund, to allow the Council to acquire or build housing assets for temporary accommodation. It is anticipated the scheme would reduce the financial pressure for homelessness by approximately £218,000 in 2019/20 and continue across the medium term to provide a total of £515,000.

6. Risk Assessment of General Fund Balances

As part of the annual budget setting process an assessment of required level of reserves needs to be undertaken, taking account of the potential future financial risks faced by the Council. It is considered prudent to hold sufficient reserves and balances to give the Council the ability to smooth out peaks in expenditure and troughs in income and funding over the medium term, by making short term contributions towards balancing the budget and give the Council time to plan service changes and further efficiencies.

Appendix 10 gives a detailed assessment of balances, undertaken for the General Fund. Various risks that may affect the Council's finances over the short-medium term have been considered in order to arrive at a prudent level of balances. For the General Fund this is considered to be approximately £2.7m. For some of the larger risks, such as significant reductions in business rates income, cover has only been recommended for a single year as beyond this time period base budgets would have to be adjusted to address any items with a fundamental impact on the Council's financial position.

The Council currently holds £3.1m in General Fund general balances and it is currently anticipated that a further £200,000 will be added to this balance at year-end, providing a forecast for General Fund balances of £3.3 million at 31st March 2018. Therefore, the Council is currently holding General Fund reserves broadly in-line with its risk assessment.

Moreover, additional reserve cover is provided by the Business Equalisation Reserve and the Budget Stability Reserve, which provide risk mitigation against volatility in business rates income and other budgets that are subject to more annual variation. Therefore, Appendix 10 shows that a number of risks identified in the assessment do not require full cover from General Fund balances, as they are partially mitigated by these specific reserves.

7. Draft Portfolio and Corporate Revenue Budgets

The following table shows an overview of the draft revenue budget for 2019/20.

Draft General Fund Revenue Summary 2019/20	2018/19 Revised Budget £	Budget Adjustments £	Salary Adjustments £	2019/20 Draft Budget £
EXPENDITURE:				
Committed Expenditure:				
Growth and Investment	2,820,140	38,430	54,250	2,912,820
Corporate Resources	1,007,550	63,400	247,130	1,318,080
Environment and Public Realm	7,070,150	-88,250	136,060	7,117,960
Communities and Homes	1,991,550	376,039	142,900	2,510,489
Executive Director	1,938,510	-9,490	-16,300	1,912,720
Key Decisions		-679,000		-679,000
Corporate Items	-160,000	123,900		-36,100
Total Portfolio & Corporate Budgets	14,667,900	-174,971	564,040	15,056,969
Less Capital Charge Adjustment	-2,590,610	0	0	-2,590,610
Less Corporate Savings Target	-200,000	-100,000	0	-300,000
Less Pension (IAS 19) Adjustment	-317,190	-11,450	0	-328,640
Net Portfolio & Corporate Budgets	11,560,100	-286,421	564,040	11,837,719
Net Cost of Borrowing	465,390	-168,480	0	296,910
Revenue Contribution to Capital Outlay	87,500	117,500	0	205,000
Contribution to Reserves	552,620	1,363,000	0	1,915,620
Contribution to Reserves - Council Tax Collection Fund	0	72,000		72,000
Minimum Revenue Provision (MRP)	1,929,060	-112,370	0	1,816,690
Parish Council Precepts	760,630	20,000	0	780,630
TOTAL EXPENDITURE	15,355,300	1,005,229	564,040	16,924,569
Financed by;				
Revenue Support Grant	-152,680	152,680	0	0
Retained Business Rates (Net of Tariff)	-5,459,620	-797,000	0	-6,256,620
New Homes Bonus Funding	-2,105,750	-41,880	0	-2,147,630
Government Grants	-297,000	30,000	0	-267,000
Council Tax	-7,438,430	-409,590	0	-7,848,020
Collection Fund Surplus (-)/Deficit	111,600	757,000	0	868,600
Contribution from Reserves	-13,420	-927,580	0	-941,000
TOTAL INCOME	-15,355,300	-1,236,370	0	-16,591,670
OVERALL TOTAL VARIANCE ON 2018/19 BUDGET	0	-231,141	564,040	332,899

Table 10 – Draft Revenue Budget 2019/20

8. Draft Portfolio Capital Budgets

Appendix 5 shows the draft position for the 2019/20 capital programme and onwards. As can be seen, the total capital programme proposed for 2019/20 (including proposed carry-forward budgets from previous years) is **£2.134m**. Excluding grants and other contributions, this leaves a net **£1.254m** of expenditure to be financed in 2019/20.

Forecast General Fund capital receipts are £2.188m at the beginning of financial year 2019/20. As noted in previous years it is not considered prudent to allow overall General Fund capital receipts to be depleted, as this will subject the Council to interest rate risks in future years and in emergency situations. In other words, it maintains the stability currently provided by retaining a reasonable level of capital receipts as any future borrowing would have to be undertaken at the interest rates available in the market at the time.

A revised Asset Management Strategy 2018-23 was approved by Council in April 2018 and has informed the proposals included within the programme relating to the General Fund asset portfolio.

In addition, The Prudential Code for Capital Finance in Local Authorities has recently been updated by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code sets out that in order to demonstrate that an authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Capital Strategy for 2019/20 will be presented to Cabinet for recommendation to Council in February 2019.

The additional revenue financing implications of this second draft programme for 2019/20 to 2022/23 upon future years are as follows:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Additional Minimum Revenue Provision (MRP)	106	57	2
Additional Interest Costs	31	24	0
Total	137	81	2
Cumulative Effect			220

Table 11 – MRP Forecast

As noted in section 3.3, additional allocations from New Homes Bonus have been transferred and ringfenced for revenue contributions to capital outlay (RCCO) to reduce the reliance on borrowing to finance the General Fund capital programme.

The implication of the adoption of this policy, is that the Council will finance a greater proportion of its capital programme using revenue resources with an equivalent reduction in the proportion of the programme being financed by borrowing.

This has the effect of allowing the Council to remove the need to borrow to finance its capital programme by 2022/23. Furthermore, the Council would also be able to make Voluntary Revenue Provision from 2022/23 onwards, effectively meaning the Council will be overpaying

its current debt repayment schedule. Consequently, the Council would eliminate its General Fund underlying debt holding by 2032, compared to an existing 2052 timeframe.

For the 2019/20 draft General Fund revenue budget MRP is estimated at **£1.817m** (2018/19 **£1.929m**) resulting from historical borrowing and the additional borrowing undertaken to finance the 2018/19 capital programme as approved by Council in February this year.

9. Medium Term Financial Plan 2019-2023

Appendix 7 shows a forecast position for the next 4 financial years with a **deficit of £333,000** for 2019/20.

	2019/20 £ 000's	Partial Reset - 25% growth retained			Full Reset		
		2020/21 £ 000's	2021/22 £ 000's	2022/23 £ 000's	2020/21 £ 000's	2021/22 £ 000's	2022/23 £ 000's
Changes in Funding							
Business Rates	-797	2,301	371	-78	2,301	726	-71
BRR Collection Fund Surplus(-)/Deficit	742	-941	0	0	-941	0	0
Revenue Support Grant	153	-0	0	0	-0	0	0
Government Grants	30	27	24	24	27	24	24
Council Tax	-410	-449	-393	-446	-449	-393	-446
Collection Fund Surplus (-)/Deficit	15	72	0	0	72	0	0
New Homes Bonus Funding	-42	-292	-838	-1,023	-292	-838	-1,023
Contribution from Reserves & Balances	-928	941	0	0	941	0	0
Total Changes in Funding	-1,236	1,659	-836	-1,523	1,659	-481	-1,516
Corporate Items							
Contribution to Business Rates Equalisation Reserve	1,363	-1,729	336	79	-1,729	329	72
Contribution to/from Earmarked Reserve Council Tax	72	-72	0	0	-72	0	0
RCCO	118	292	838	1,025	292	838	1,025
Other Corporate Adjustments	-439	-64	-247	-54	-64	-247	-54
Total Changes to Corporate Items	1,113	-1,573	927	1,050	-1,573	920	1,043
Growth							
Salaries	564	531	540	550	531	540	550
Remodelling of pay scales	140	0	0	0	0	0	0
Inflation Provision	56	10	10	10	10	10	10
Growth	960	0	0	0	0	0	0
Total Service Pressures	1,720	541	550	560	541	550	560
Total Funding and Growth Pressures	1,597	627	641	86	627	989	86
Income Generation	-215	-40	-80	0	-40	-80	0
Savings	-370	0	-117	117	0	-117	117
Revised Variance	1,012	587	444	203	587	792	203
Key Decisions	-679	-340	-148	-9	-340	-148	-9
Revised Variance	333	247	296	194	247	644	194

Table 12 – Medium Term Financial Plan 2019/20 to 2022/23

Beyond 2019/20, the MTFP shows additional budget variances that need to be considered in future years, assuming that prior budget deficits have been addressed. This MTFP has been presented on the assumption that the Council will either see the impact of a partial or full reset.

Therefore, under a partial reset there is a cumulative deficit of approximately **£1.0m** across the four years MTFP, which increases to **£1.4m** under a full reset scenario.

Table 12 shows the changes when compared with the previous year. The key movements presented in the MTFP can be explained as follows:

- Increased funding in Council Tax at a rate of 2.99% over the medium term
- Contribution from the Business Rates Reserve to offset the Business rates deficit of £941,000 in 2019/20.
- Increased contribution to the Business Rates Equalisation Reserve for the excess growth in Business Rates Funding, above sustainable funding levels.
- Additional funding anticipated, over and above the MTFP reported in February 2018, for New Homes Bonus is transferred to RCCO for all years of the medium term.
- The Corporate items include the necessary adjustments to the Minimum Revenue Provision and Net Cost of Borrowing

Other major assumptions within the MTFP:

- NHB and Business Rates growth based on planned growth as informed by Economic Development officers.
- The adverse impact of changes in government funding resulting from the fair funding review and business rates baseline reset in 2020/21.
- The financial saving of £297,000 during the period 2020/21 through to 2022/23 from the proposal to approve a housing acquisition fund to mitigate the pressures in the cost of temporary accommodation in addressing homelessness. (within Key Decisions)
- A £10 increase in the Garden Waste subscription charge in 2020/21
- Salary budgets amended to reflect 2% pay awards applied in each year of the MTFP.

10. Conclusion

Following the review and expansion of number of the key decisions for Member's consideration there continues to be a deficit of £333,000 presented for 2019/20.

It needs to be noted that, due to the current challenging financial environment further savings still need to be identified in order to deliver a balanced budget across the medium term. In particular, the high level of uncertainty around retained Business Rates and the potential for a reset of the system presents a considerable risk to the Councils finances from 2020/21 onwards.

Name of Meeting: Cabinet

Date of Meeting: 3 December 2018

Subject Matter: Draft General Fund Revenue and Capital Budget 2019/20

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
	Draft General Fund Revenue and Capital Budget 2019/20 – Cabinet 8th October 2018

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Draft General Fund Revenue Summary 2019/20	2018/19 Original Budget £	In Year Adjustments £	2018/19 Revised Budget £	Corporate Adjustments £	Total Inflation £	Salary Adjustments £	Proposed Growth Items (Appendix 2) £	Proposed Income Adjustments (Appendix 3) £	Savings (Appendix 4) £	2019/20 Draft Budget £
EXPENDITURE:										
Growth & Investment	2,820,140	231,120	3,051,260	-350,540	5,210	54,250	21,740	155,900	-25,000	2,912,820
Corporate Resources	1,007,550	9,680	1,017,230	42,490	7,190	247,130	35,410	-28,680	-2,690	1,318,080
Environment & Public Realm	7,070,150	28,120	7,098,270	-143,410	24,710	136,060	324,750	-253,620	-68,800	7,117,960
Communities & Homes	1,991,550	-17,290	1,974,260	13,240	18,720	142,900	575,320	-43,450	-170,500	2,510,490
Executive Director's Office	1,938,510	22,290	1,960,800	-30,500	0	-16,300	0	0	-1,280	1,912,720
Key Decisions	0	0	0	0	0	0	0	0	-679,000	-679,000
Corporate Items	-160,000	39,290	-120,710	-11,490	0	0	142,890	-44,990	-1,800	-36,100
PORTFOLIO EXPENDITURE	14,667,900	313,210	14,981,110	-480,210	55,830	564,040	1,100,110	-214,840	-949,070	15,056,970
Less Capital Charge Adjustment	-2,590,610	0	-2,590,610	0	0	0	0	0	0	-2,590,610
Less Corporate Savings Target (including salary voids)	-200,000	0	-200,000	0	0	0	0	0	-100,000	-300,000
Less Pension Adjustment	-317,190	0	-317,190	-11,450	0	0	0	0	0	-328,640
NET PORTFOLIO EXPENDITURE	11,560,100	313,210	11,873,310	-491,660	55,830	564,040	1,100,110	-214,840	-1,049,070	11,837,720
Net Cost of Borrowing	465,390	0	465,390	-168,480	0	0	0	0	0	296,910
Minimum Revenue Provision (MRP)	1,929,060	0	1,929,060	-112,370	0	0	0	0	0	1,816,690
Revenue Contribution to Capital Outlay	87,500	0	87,500	117,500	0	0	0	0	0	205,000
Negative Revenue Support Grant / BR Tariff Adjustment	0	0	0	0	0	0	0	0	0	0
Contribution to Business Rate Equalisation Reserve	552,620	0	552,620	1,363,000	0	0	0	0	0	1,915,620
Contribution to Earmarked Reserve Council Tax			0	72,000	0	0	0	0	0	72,000
TOTAL EXPENDITURE (before Parish Precepts)	14,594,670	313,210	14,907,880	779,990	55,830	564,040	1,100,110	-214,840	-1,049,070	16,143,940
Parish Council Precepts and Council Tax Support	760,630	0	760,630	20,000	0	0	0	0	0	780,630
TOTAL EXPENDITURE	15,355,300	313,210	15,668,510	799,990	55,830	564,040	1,100,110	-214,840	-1,049,070	16,924,570
INCOME:										
Revenue Support Grant	-152,680	0	-152,680	152,680	0	0	0	0	0	0
Retained Business Rates (Net of Tariff)	-4,907,000	0	-4,907,000	566,000	0	0	0	0	0	-4,341,000
Retained Business Rates Additional Growth	-552,620		-552,620	-1,363,000	0	0	0	0	0	-1,915,620
New Homes Bonus Funding	-2,105,750	0	-2,105,750	-41,880	0	0	0	0	0	-2,147,630
Government Grants	-297,000	0	-297,000	30,000	0	0	0	0	0	-267,000
Council Tax	-7,438,430	0	-7,438,430	-409,590	0	0	0	0	0	-7,848,020
Collection Fund Surplus(-)/Deficit	111,600	0	111,600	757,000	0	0	0	0	0	868,600
Contribution from Reserves & Balances	-13,420	0	-13,420	-927,580	0	0	0	0	0	-941,000
TOTAL INCOME	-15,355,300	0	-15,355,300	-1,236,370	0	0	0	0	0	-16,591,670
VARIANCE ON 2018/19 BUDGET	0	313,210	313,210	-436,380	55,830	564,040	1,100,110	-214,840	-1,049,070	332,900

Proposed Growth Items 2019/20

Portfolio/Service	Amount (£)	Justification:	Corresponding savings? Y / N / Partial (Y = Total growth offset)
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Growth & Investment (G&I)			
Planning Services			
Salaries	20,740	Increase in hours to full time of the Principal Planning Officer following the retirement of the Development and Enforcement Lead Officer.	N
Enforcement Budget	1,000	A new budget to cover direct planning enforcement as it occurs to provide a more streamlined service.	N
Sub Total (G&I)	21,740		

Corporate Resources (CR)			
Corporate Property Administration			
Electricity	22,340	Increase required due to the increased charges across the Corporate Property Assets.	N
Water	1,210	Budget realignment to reflect the actual expenditure on water across the Corporate Property Assets.	N
Corporate Property Management			
Asset Management expenses	4,860	Properties now need to be valued every four years instead of the current valuation of every five years in accordance with external audit guidance. The increased cost represents the additional valuation costs that will be incurred for each financial year.	N
Human Resources			
Consultancy Costs	7,000	One-Off request for 7 days of Consultancy Costs for the development of I-Trent (HR and Payroll) system for work in regard to the expenses and time management modules. It is expected that this investment will deliver digitalisation and other efficiency savings.	N
Sub Total (CR)	35,410		

Proposed Growth Items 2019/20

Portfolio/Service	Amount (£)	Justification:	Corresponding savings? Y / N / Partial (Y = Total growth offset)
Environment & Public Realm (E&PR)			
Miscellaneous Highways Services			
Salaries	15,040	Service redesign to increase staff resources to provide more resilience and productivity within the service.	N
Training	4,390	The budget for training has been reviewed for current and prospective staff and increased in-line with requirements.	N
Hackney Carriages and Private Hire Vehicles			
Other Agencies	1,730	Budget required for Disclosure and Barring Service (DBS) checks with the DVLA for hackney carriage licensing.	N
Licensing			
External contractor	1,400	Following new legislation introduced in October 2018, it is anticipated that there will be an increase in vet costs.	Y
Parks, Recreation Grounds & Open Spaces			
Agency Costs	5,000	Following an increase in large events at Caldecott Park and other sites it is proposed to include an agency budget of £5,000 to provide Park Ranger support and holiday/sickness cover.	N
Safety and Resilience			
Maintenance of Equipment	1,600	A budget is required for annual calibration of health and safety equipment such as the drugs and alcohol meter, HAV meter and sound meter.	N
Waste Collection and Recycling			
Recycling Gate Fee	240,000	The recycling gate fee can be volatile and varies monthly. It is anticipated that there will be an increase in costs based on the decline of the market	Y
Salaries	21,490	It is proposed to replace two part-time Refuse Driver posts with full-time posts when the post holders retire; this will reduce agency spend.	Y
Postage and Distribution	4,600	Increase in postage budget for garden waste following a review of expenditure	Y
Works Services Unit and Depot			
Gas	1,000	Increased budget to accommodate rising gas prices and following a review of spend-to-date	Y
Trade Waste			
Fuel	18,500	Budget for fuel increased following review of spend since taking on new customers and additional round	N
Materials	10,000	Budget for bins realigned with anticipated increase in customer demand (see appendix 3)	Y
Sub Total (E&PR)	324,750		

Proposed Growth Items 2019/20

Portfolio/Service	Amount (£)	Justification:	Corresponding savings? Y / N / Partial (Y = Total growth offset)
Communities & Homes (C&H)			
Customer and Information Services			
Photocopying	14,260	Increased cost of new printing contract.	N
Software Maintenance	1,500	Building growth into the budget for next year based on costs on contracts confirmed by ICT	N
Hardware Maintenance	3,000	Building growth into the budget for next year based on costs on contracts confirmed by ICT	N
Software/Equipment Licences	7,500	The estimated growth required for IT contracts resulting from the Microsoft Licence Renewal for 3 years from January 2019	Partial
Software Maintenance	27,480	The estimated growth required for IT contracts following the implementation of the Corporate Asset Management System and new Planning system.	Partial
Community Advice and Support Team			
Provision of temporary accommodation for homelessness	513,260	As reported to Cabinet in October, the outlying pressure to the Council for both 2018/19 and 2019/20 is due to increased demand for temporary accommodation arising from homelessness. Included in a separate report elsewhere on this agenda is a proposal to mitigate this pressure.	N
Public Transport and Car Parking	1,000	Increased to reflect current and estimated expenditure	N
External Legal Costs	4,400	Increase in the budget to reflect the increase in legal challenges relating to the provision of temporary accommodation.	N
Woodside Park			
Electricity	1,800	Reflects the current usage within the service	N
Non SLA charges	1,120	A direct charge is made to this service for the estimated number of hours of chargeable time from the HRA. The increase represents a recalculation of officer time chargeable based upon estimated time and salaries	N
Sub Total (C&H)	575,320		
Corporate Items			
Changes to Salary Scales	140,000	Estimated increase required for the NJC Pay Review	N
Other minor budget pressures	2,890	Minor pressures requested below £1,000	N
Sub Total (Corporate Items)	142,890		
OVERALL TOTALS	1,100,110		

Proposed Income Adjustments 2019/20

Portfolio/Service	Amount (£) + = Reduction - = Increase	Justification:
Growth & Investment (G&I)		
Planning Services		
Fees & Charges	-13,800	Creation of an increased budget for Con29 Local Authority Searches for property acquisitions, following income received in previous years.
Planning Fees	-3,300	Increase following the introduction of a 20% increase in January the budget for Decision Notices and Discharge of Conditions.
Benn Hall		
Bar Sales	-10,000	The service has seen an increased amount of events which produce a high bar take, these events are likely to continue and as a result the income expectation has been increased to reflect this, the expenditure budget has also been increased with the net position £10,000.
Event Tickets	-3,000	The Benn Hall's business plan was revised in 2018 with an increased focus on targeting specific audience groups. Subsequently the service has seen an increase in income from the of events organised and run by the Council. It is proposed that this additional income of approximately £3,000 is invested in additional marketing activities to promote further income growth in the future.
Hall of Fame		
Net Income	186,000	It is proposed that the attraction's anticipated income be amended to align with the income achieved in previous years
Sub Total (G&I)	155,900	

Corporate Resources (CR)		
Corporate Property Administration		
Non SLA recharges	-15,210	This income is the amount that will be charged to the Homelessness Intervention Project for hosting charges and office use.
Reimbursements	-5,460	Increased to reflect the estimated recharges due from Warwickshire County Council for their use of the Art Gallery and Museum building.
Reimbursements	-3,000	New income for receivable feed in tariffs for electricity generated from solar panels.
Legal Services		
Reimbursements - Outside Scope	-5,010	Increased due to higher than anticipated income in last three years for Legal services.
Sub Total (CR)	-28,680	

Environment & Public Realm (E&PR)		
Car Parks and Parking		
Reimbursements-Outside Scope	-20,000	Following new ownership of Clock Towers Car Park, a budget of £20,000 has been included to reflect actual income received in recent years.
Car Park Season Tickets	-16,500	Increased level of demand for Season Tickets seen in 2018/19.
Cemeteries		
Plaques/Donations	-500	Increase based on analysis of historic trend.
Interments	-18,330	Increased based on analysis of historic trend.
Memorial License Fee	-1,180	Memorial license fee realigned based on analysis of historic trend.
Exclusive right of burial	-5,710	Income budget for exclusive right of burial realigned based on analysis of historic trend
Crematorium		
Net surplus	-28,620	Anticipated increase in Rugby Borough Council's share of the operational surplus for the crematorium. The detailed budget will be approved by the Rugby and Daventry
Hackney Carriages and Private Hire Vehicles		
Reimbursements- court costs awarded	-1,000	Budget included for legal costs income;
Regulatory Services		
Fees and Charges (Standard)	-17,000	Anticipated income for investigate Fly Tipping works done by Rugby Borough Council for Harborough District Council.
Fees and Charges (Standard)	-20,000	Anticipated income for Investigate Fly Tipping works done by Rugby Borough Council for Warwick District Council.
Street Cleansing		
Fees and Charges (standard)	-3,000	Increase in income from private works based on volume of 2017/18 customers
Waste Collection and Recycling		
Fees and Charges (Garden Waste income)	-37,000	Increased budget for Garden Waste income based on 18/19 performance.
Recycling Credits	-69,400	Increased budget for recycling credits income claimed from Warwickshire County Council based on prior year analysis.
Fees and Charges (Bulky Waste)	-10,500	Increase in Bulky Waste income anticipated following analysis of 17/18 performance
Fees and Charges (Refuse and G/W)	35,500	Following analysis of 17/18, reduction in budget for haulage income claimed from Warwickshire CC as actual costs have been less than budget.
Trade Waste		
Fees and Charges	-40,380	Income from Trade Waste customers increased based on review of increased numbers.
Sub Total (E&PR)	-253,620	

Proposed Income Adjustments 2019/20

Portfolio/Service	Amount (£) + = Reduction - = Increase	Justification:
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Communities & Homes (C&H)		
Housing Welfare Services		
Fees & Charges	-40,000	Following increased marketing around the Lifeline service it is estimated that the service will be able to generate £40,000 extra income.
Woodside Park		
Rental Income	-3,450	Pitch fees increased by an estimate for inflation of 3%
Sub Total (C&H)	-43,450	

Corporate Items		
Other Fees and Charges	-44,990	Impact of CPI changes at 2.2%
Sub Total (Corporate Items)	-44,990	

OVERALL TOTALS	-214,840	
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Proposed Savings 2019/20			
Portfolio/Service	Amount (£)	How can these be achieved?	Adverse impact on service delivery? Y/N
Growth & Investment (G&I)			
Hall of Fame			
Repairs & Maintenance	-25,000	The removal of the repairs and maintenance budget following historic spend and anticipated future spend.	N
Sub Total (G&I)	-25,000		
Corporate Resources (CR)			
Public Offices			
Building cleaning	-2,690	Budget realigned to match expenditure in previous years.	N
Sub Total (CR)	-2,690		
Environment & Public Realm (E&PR)			
Head of Environment and PR			
Training Fees	-9,280	Training budget not required centrally as services to have individual budgets where training is required.	N
Miscellaneous Highways Services			
Vehicle Repair and Maintenance	-2,290	Budget realigned to match expenditure in previous years.	N
Fuel	-1,300	Budget realigned to match expenditure in previous years.	N
Contract Hire	-3,000	Budget realigned to match expenditure in previous years.	N
Materials	-5,000	Budget realigned to match expenditure in previous years.	N
Hackney Carriages and Private Hire Vehicles			
External Legal Costs	-1,300	Budget realigned to match expenditure in previous years.	N
Land Drainage			
External Contractor	-10,000	Budget realigned to match expenditure in previous years. This is a reactive service.	N
Parks, Recreation Grounds & Open Spaces			
Salaries	-5,520	Net savings from a vacant part-time gardener post being replaced by a full-time seasonal post.	N
Public Conveniences			
Rates	-3,690	Following the Budget announcement in October 2018, the government will introduce 100% business rate relief on public lavatories to help keep them open.	N
Safety and Resilience			
Service redesign	-10,880	This is the net saving following the decision taken to outsource the Council's Emergency Planning and Business Continuity work to CSW, instead of recruiting to a vacant post.	N
Civil Contingencies	-3,540	Budget has been reduced based on previous spend, however, a small budget will still remain to provide cover for contingencies.	N
Works Services Unit and Depot			
Electricity	-12,000	Budget realigned to match expenditure in previous years.	N
Water Services	-1,000	Budget realigned to match expenditure in previous years.	N
Sub Total (E&PR)	-68,800		

Proposed Savings 2019/20			
Portfolio/Service	Amount (£)	How can these be achieved?	Adverse impact on service delivery? Y/N
Communities & Homes (C&H)			
Community Grants			
Community Grants	-1,500	Reduction in grant allocation following the removal of a service level agreement.	N
Community Advice and Support Team			
Postage	-3,000	Estimated saving based upon the increased usage of electronic communication.	N
Housing Benefit Payments			
Housing Benefit Overpayments	-166,000	Based on data gathered as part of the formal 2018/19 mid-year subsidy submission to government at the end of August, there has been a reduction in the overall level of debt associated with Housing Benefit payment, primarily due to the transition to Universal Credit. Consequently, the bad provision relating to the collection of Housing Benefit overpayments is forecast to be reduced by £166,000 compared to budgeted estimates.	N
Sub Total (C&H)	-170,500		
Executive Director's Office (EDO)			
Members Expenses			
Special Responsibility Allowance	-1,280	Budget adjusted to reflect the level of spend in previous years.	N
Sub Total (EDO)	-1,280		
Corporate Items			
Other minor savings	-1,800	The aggregate of various minor savings, which are individually below £1,000	
Corporate Savings Target	-100,000	Following the review of in year savings the annual Corporate saving target has been increased to a total of £300,000.	N
Sub Total (Corporate Items)	-101,800		
OVERALL TOTALS	-370,070		

General Fund Capital Programme 2019/20 and Onwards

Head of Service	Score	Portfolio / Scheme Name	Capital				Revenue Implications							
			Gross Expenditure			External Contributions / Earmarked Reserves		Internal Resources		Running Costs		Estimated Interest costs		Minimum Revenue Provision
			2019/20	2020/21	2021/22	2019/20	Future Years	2019/20	Future Years	2019/20*	Full Year	2019/20*	Full Year	2020/21
			1	2	3	4	5	6	7	8	9	10	11	12
			£	£	£	£	£	£	£	£	£	£		
		Growth & Investment												
		Communities & Homes												
			0	0	0	0	0	0	0	0	0	0		
RC		ICT Refresh Programme - Desktop	72,100	72,100	80,500	72,100	152,600	0	0	0	0	0		
RC		ICT Refresh Programme - Infrastructure	115,000	130,000	95,000	22,500	142,070	92,500	82,930	0	0	1,160	2,310	17,630
RC		ICT Refresh Programme - AV Equipment	22,500	7,500	7,500	22,500	15,000	0	0	0	0	0	0	
RC		Disabled Facilities Grants	615,800	615,800	615,800	585,800	1,171,600	30,000	60,000	0	0	380	750	1,200
			825,400	825,400	798,800	702,900	1,481,270	122,500	142,930	0	0	1,540	3,060	18,830
		Environment & Public Realm												
DG		Vehicle Replacement ¹	400,000	400,000	400,000	0	0	400,000	800,000	0	0	5,000	10,000	53,500
DG		Open Spaces Refurbishments - Whinfield Play Area	161,520	161,520	161,520	50,000	100,000	111,520	223,040	0	0	1,390	2,790	6,360
DG		Open Spaces Refurbishments - Safety Improvements	50,000	50,000	50,000	0	0	50,000	100,000	0	0	630	1,250	2,850
DG		Open Spaces Refurbishments - Street Furniture	40,000	40,000	40,000	0	0	40,000	80,000	0	0	500	1,000	2,280
DG		Memorial Safety	30,000	30,000	30,000	0	0	30,000	60,000	0	0	380	750	1,210
DG		Crematorium Car Park Extension ³	80,000	0	0	40,000	0	40,000	0	0	0	500	1,000	1,620
DG		Great Central Way Bridge Repairs	0	165,000	165,000	0	0	0	330,000	0	0	0	0	0
DG		Purchase of Waste Bins ²	87,500	87,500	87,500	87,500	175,000	0	0	0	0	0	0	0
			849,020	934,020	934,020	177,500	275,000	671,520	1,593,040	0	0	8,400	16,790	67,820
		Corporate Resources												
MK		Corporate Property Enhancement	435,000	361,000	340,000	0	0	435,000	701,000	0	0	5,440	10,880	17,570
MK		Woodside Park LPG	25,000	0	0	0	0	25,000	0	0	0	310	630	2,260
			460,000	361,000	340,000	0	0	460,000	701,000	0	0	5,750	11,510	17,570
		Total Draft GF Capital Programme	2,134,420	2,120,420	2,072,820	880,400	1,756,270	1,254,020	2,436,970	0	0	15,690	31,360	104,220

¹ Vehicle replacement programme under review

² To be financed via S106 developer contributions / direct revenue contributions.

³ Subject to initial approval by the Rainsbrook Crematorium Joint Committee

* Half year is included

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Communities & Homes
Capital Scheme	ICT Refresh Programme - Desktop
Gross Budget Requirement 2019/20-2021/22	£224,700
External Funding	£0
RBC Funding 2019/20-21/22	£224,700
Budget Officer	Raj Chand
Strategic Case: Outline relevant national and local policies and strategies	<p>The Desktop provision is made up of:</p> <ul style="list-style-type: none"> * Client devices, such as Laptops, PCs and Terminals; * Server services that directly relate to desktop provisioning. <p>The Council has adopted a rolling refresh programme that spreads the cost and effort of updating the desktop across all financial years.</p> <p>Drivers for updating the desktop provision are:</p> <ul style="list-style-type: none"> * To ensure that the authority is running on fit for purpose equipment; * to replace aging equipment before it fails and impacts service delivery; * and, in line with PSN requirements and security best-practice, devices must be under manufacturer support and they must be patched and/or upgraded to the latest software version. <p>If the authority is to retain PSN Code of Connection IT equipment must be fully supported and updated. Failing to comply would leave us open to security breaches and the associated fines that they would incur.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable. Suppliers are sourced using Crown Commercial Services Digital Marketplace and associated framework RM3733.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	ICT equipment has an estimated asset life of five years. As a short-life asset financing will be sourced from revenue contributions to capital outlay (RCCO) as noted in Section 3.3 of the budget report.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	The IT service employ an industry standard programme management technique for desktop replacement.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Communities & Homes
Capital Scheme	ICT Refresh Programme - Infrastructure
Gross Budget Requirement 2019/20-2021/22	£340,000
External Funding	£0
RBC Funding 2019/20-21/22	£340,000
Budget Officer	Raj Chand
Strategic Case: Outline relevant national and local policies and strategies	<p>The IT infrastructure provision is made up of:</p> <ul style="list-style-type: none"> * Physical and Virtual Servers; * Storage Area Networks; * Network Switches, Routers & WIFI; * Firewalls and Backup and Business Continuity solutions. <p>The Council has adopted a rolling refresh programme that spreads the cost and effort of updating the infrastructure across all financial years.</p> <p>Drivers for updating the infrastructure are:</p> <ul style="list-style-type: none"> * To ensure that the authority is running on fit for purpose equipment; * To replace aging equipment before it fails and impacts service delivery; * and in line with PSN Requirements and security best-practice, devices must be under manufacturer support and they must be patched and/or upgraded to the latest software version. <p>If the authority is to retain PSN Code of Connection compliance there are no direct alternatives that are financially viable.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable. Suppliers are sourced using Crown Commercial Services Digital Marketplace and associated framework RM3733.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	With each successive generation of hardware they become more energy efficient with reduced heat output. Such reductions will directly reduce running costs and support a future refresh of the Town Hall cooling systems to smaller more efficient units. ICT hardware has an estimated asset life of five years and therefore minimum revenue provision (annuity method) for the 2019/20 scheme will be £17,600.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	The IT service employ an industry standard programme management technique for the infrastructure replacement.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Communities & Homes
Capital Scheme	ICT Refresh Programme - AV Equipment
Gross Budget Requirement 2019/20-2021/22	£37,500
External Funding	£0
RBC Funding 2019/20-21/22	£37,500
Budget Officer	Raj Chand
Strategic Case: Outline relevant national and local policies and strategies	<p>Much of the audio/visual equipment will become redundant in the next 2 years due to its age plus additional equipment will be required to support digitalisation.</p> <p>The programme will consist of: replacement of the ctouch devices in CR1, CR2 and the Benn hall; and introduction of display equipment into CR3 and room 104 and the Board room.</p> <p>The life expectancy of IT equipment is 5 years, which is based on both physical component life expectancy and the equipment's ability to be upgraded for security purposes and to support appropriate operating systems & software. The combined desktop & infrastructure refresh programmes have been re-designed to accommodate changes to working practices brought about by digitalisation, but without any particular increase to previous year's total budgets, however it has never incorporated audio/visual equipment as these used to sit in Business Support.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable. Suppliers are sourced using Crown Commercial Services Digital Marketplace and associated framework RM3733.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	ICT equipment has an estimated asset life of five years. As a short-life asset, financing will be sourced from revenue contributions to capital outlay (RCCO) as noted in Section 3.3 of the budget report.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	The IT service employ an industry standard programme management technique for the infrastructure replacement.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Communities & Homes
Capital Scheme	Disabled Facilities Grants
Gross Budget Requirement 2019/20-2021/22	£1,847,400
External Funding	£1,757,400
RBC Funding 2019/20-21/22	£90,000
Budget Officer	Raj Chand
Strategic Case: Outline relevant national and local policies and strategies	The provision of grants to provide adaptations to the homes of disabled people in the borough. This is a mandatory requirement made by the Amendment by the Regulatory Reform Orders 2002 and 2008 and the Housing Grants and Construction and Regeneration Act 1996. Recommendations for adaptations are made following a home visit by the Occupational Health Therapists with the scheme administered in the borough by HEART service from October 2016
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Vehicle Replacements
Gross Budget Requirement 2019/20-2021/22	£1,200,000
External Funding	£0
RBC Funding 2019/20-21/22	£1,200,000
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	The Vehicle Replacement scheme covers the provision of front line delivery services in procuring new vehicles for the Council's Works Service Unit (WSU) as existing fleet reaches the end of useful economic life. The programme is currently under review and budgets have been estimated based on prior year expenditure. A revised value reflecting actual vehicle requirements will be included in future iterations of the programme.
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement is undertaken in compliance with contract standing orders, utilising established framework agreements where applicable.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	A funding appraisal is undertaken in conjunction with the Council's treasury and leasing advisors to ascertain the optimal source of financing in advance of vehicle acquisition. The appraisal measures the benefits of outright purchase cost, anticipated maintenance costs, residual value, and leasing contracts. Vehicles have an estimated asset life of seven years and therefore minimum revenue provision (annuity method) for the 2019/20 scheme will be £53,500.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	The existing fleet is monitored to gauge useful economic lives, potential increased maintenance costs and market indications of pricing for replacement vehicles over a medium-term horizon.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Open Spaces Refurbishment - Whinfield Play Area (2019/20)
Gross Budget Requirement 2019/20-2021/22	£484,560
External Funding	£150,000
RBC Funding 2019/20-21/22	£334,560
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	<p>Every site refurbishment is undertaken in partnership with the local community. This includes community associations, external funding partners, voluntary agencies and other statutory bodies. The sites have been identified within the Play Strategy and Open Space Strategy which the Council has adopted, along with information on the general condition survey of play equipment. The next play area highlighted by recent health & safety inspection is Whinfield play area.</p> <p>The Council has a duty to provide facilities which are safe to use and which comply with the laws governing access to disabled people. Failure to discharge this responsibility will leave the Council liable.</p> <p>There is significant evidence to suggest that investment in parks brings about wider social benefits. Research from the Edinburgh Council in Scotland found that for every £1 invested in parks, £12 was given back in social, economic & environmental benefits. Whilst Exeter University suggests people will exercise more if they have quality parks to do this in. The Local Government Association has also recently published the report ""the role of the local government in mental health and wellbeing"" which also highlights the significant role that parks and green spaces play in helping to reduce the nation's healthcare costs.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	All procurement is undertaken in line with our own procurement rules and processes to ensure value for money.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	The refurbishment offers good value for money and the Council will be seeking some external funding from the landfill tax. The alternative is to close and remove the play area, restoring the land back to grass, which would cost about £50k with no community gain. The scheme has an anticipated asset life of fifteen years and therefore minimum revenue provision (annuity method) will be £6,400.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	Each open space that is highlighted for improvement undergoes a phased approach which includes consultation in partnership with the local community, design and implementation. Whinfield play area has not been refurbished for nearly 20 years and is now at the end of its useful life and without investment would need to be closed and removed.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Open Spaces Refurbishment - Safety Improvements
Gross Budget Requirement 2019/20-2021/22	£150,000
External Funding	£0
RBC Funding 2019/20-21/22	£150,000
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	The Council is responsible for 41 play areas and 17 youth facilities along with nearly 300 hectares of green spaces. The most serious health and safety issues have been dealt with through a programme of capital refurbishments in the last few years, but in the current financial climate the council needs to focus on the essential health and safety works. This capital scheme will address sites with the most pressing health and safety issues, and where minimal investment will not extend the life of the capital asset, fully refurbish the play area. The Council has a duty to provide facilities which are safe to use and which comply with the laws governing access to disabled people. Failure to discharge this responsibility will leave the Council liable. The sites have been identified within the Play Strategy and Open Space Strategy which the Council has adopted, along with information on the general condition survey of play equipment. There is significant evidence to suggest that investment in parks brings about wider social benefits. Research from the Edinburgh Council in Scotland found that for every £1 invested in parks, £12 was given back in social, economic & environmental benefits. Whilst Exeter University suggests people will exercise more if they have quality parks to do this in. The Local Government Association has also recently published the report ""the role of the local government in mental health and wellbeing"" which also highlights the significant role that parks and green spaces play in helping to reduce the nation's healthcare costs.
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	All procurement is undertaken in line with our own procurement rules and processes to ensure value for money.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	The investment of £50k to address essential health & safety issues offers good value for money as this could be the cost of just one successful insurance claim against the Council. Schemes have an anticipated asset life of fifteen years and therefore minimum revenue provision for the 2019/20 programme will be £2,800.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	Each open space that is highlighted for improvement undergoes a phased approach which includes consultation in partnership with the local community, design and implementation. Failure to deal with urgent health & safety issues could lead to insurance claims and prosecutions against the Council.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Open Spaces Refurbishment - Street Furniture
Gross Budget Requirement 2019/20-2021/22	£120,000
External Funding	£0
RBC Funding 2019/20-21/22	£120,000
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	<p>This scheme provides for the long term permanent street furniture installations throughout Rugby and the surrounding areas. New benches are compliant with Disability Discrimination guidelines (seating height, arm rests etc.).</p> <p>New litter bins have a colour contrast to aid the visually impaired. Replacement street furniture, litter bins, and bus shelters are only considered where refurbishment will not prove economically viable.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	Street Furniture works have an anticipated asset life of ten years and therefore the minimum revenue provision for these works will be £2,300.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	Each item of street furniture that is highlighted for refurbishment/replacement undergoes a phased approach which includes consultation in partnership with the local community, design and implementation. Failure to deal with urgent health & safety issues could lead to insurance claims and prosecutions against the Council.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Cemetery Infrastructure Work
Gross Budget Requirement 2019/20-2021/22	£34,260
External Funding	£0
RBC Funding 2019/20-21/22	£34,260
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	<p>To undertake essential infrastructure replacement including memorial safety in the Borough Council's cemeteries.</p> <p>The Council has a duty of care to all cemetery users in relation to the general condition of footpaths and other infrastructure.</p> <p>The Ministry of Justice has also issued guidance to Local Authorities on how to deal with the issue of memorial safety and the Council is currently producing its own policy statement.</p>
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	Cemetery infrastructure works have an anticipated asset life of twenty years and therefore the minimum revenue provision (annuity method) for these works will be £650.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Purchase of Waste Bins
Gross Budget Requirement 2019/20-2021/22	£262,500
External Funding	£262,500
RBC Funding 2019/20-21/22	£0
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	The Council has a statutory responsibility for the provision of domestic waste collection within the Borough. The scheme provides for the acquisition of bins for new housing developments funded via S106 agreements or developer contributions.
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	Purchase of waste bins for new housing developments will be funded via S106 agreements / developer contributions.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Environment & Public Realm
Capital Scheme	Great Central Walk Bridges
Gross Budget Requirement 2019/20-2021/22	£330,000
External Funding	£0
RBC Funding 2019/20-21/22	£330,000
Budget Officer	Dan Green
Strategic Case: Outline relevant national and local policies and strategies	The Council has a statutory requirement to undertake structural inspections every six years and general inspections every two years of its Great Central Way Bridge assets. Work has been ongoing since 2008, and prior detailed inspections are showing major structural problems with several bridges on the route that need immediate / mid-term / long term repairs. The Council has a long-term commitment for the upkeep of these bridges. As some of these bridges carry main highways into Rugby, the Council cannot risk the possibility of closing bridges due to poor maintenance. The Great Central Way Bridges were re-valued as at 31st March 2016 at £15.9m on the basis of re-instatement costs for insurance purposes.
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	The Council will tender for structural works based on the independent reports prepared by invasive engineering surveys carried out in May 2018. Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable. We are also looking to work collaboratively with WCC and their framework of bridge contractors.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	In advance of the 2018 survey results being evaluated an estimated construction budget of £165,000 per annum has been requested for works based on historic data for 2020/21 and 2021/22. The unspent existing budget for 2018/19 is to be carried forward for initial refurbishment works in 2019/20. Budget requirements will be revised in light of survey results and programme scheduling. Once structural works have been undertaken bridge lifespans are estimated at fifty years and therefore minimum revenue provision (annuity method) of £1,860 per annum.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	The Council works in partnership with Warwickshire County Council as the highways authority to provide and maintain some of the bridges and will seek to work collaboratively to minimise public inconvenience and optimise value for money.

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Corporate Resources
Capital Scheme	Corporate Property Enhancements
Gross Budget Requirement 2019/20-2021/22	£1,136,000
External Funding	£0
RBC Funding 2019/20-21/22	£1,136,000
Budget Officer	Mannie Ketley
Strategic Case: Outline relevant national and local policies and strategies	Corporate Property Enhancements include works undertaken on the Council's non-housing assets consequent to legislative requirements (Fire Safety, Disability Discrimination Act, etc.) and to mitigate current and/or future maintenance requirements and asset devaluation. A refresh of the Council's Asset Management Strategy 2018-23 was approved in April 2018 and informs the options concerning non-housing asset future maintenance beyond 2018/19. Programmed works for 2019/20 include: <ul style="list-style-type: none"> • Fire Doors/Pumps & Plant Upgrade/Roofing/Toilets - Town Hall - £195,000 • Lawn/Retreat - External Works/Boundary Wall - £125,000
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	Procurement for works will follow the Council's established procedures within contract standing orders to include OJEU compliance where applicable.
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	Corporate Property Enhancement works have an anticipated asset life of twenty years and therefore the minimum revenue provision (annuity method) for the 2019/20 works will be £17,600.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	

General Fund Draft Capital Programme 2019/20 & Onwards: Capital Appraisal Information

Portfolio	Corporate Resources
Capital Scheme	Woodside Park LPG
Gross Budget Requirement 2019/20-2021/22	£25,000
External Funding	£0
RBC Funding 2019/20-21/22	£25,000
Budget Officer	Mannie Ketley
Strategic Case: Outline relevant national and local policies and strategies	Currently servicing is an issue as there is no bottled gas available and a two-man policy is in operation by many contractors. The intention is to install 150 litre direct, unvented hot water cylinders capable of running showers and delivering mains pressure hot water. Response to consultations have been favourable of this installation.
Commercial Case: Outline the procurement arrangements that ensures the deal is achievable and attractive to the market place	
Financial Case: Outline the capital and revenue costs/savings over the life span of the project	Saving of approximately £2,700 per year by having no gas obligation.
Management Case: Outline the governance, plans, and resources that are in place for successful implementation	

MTFP 2019/20 - 2022/23	2019/20 £ 000's	Partial Reset - 25% growth retained			Full Reset		
		2020/21 £ 000's	2021/22 £ 000's	2022/23 £ 000's	2020/21 £ 000's	2021/22 £ 000's	2022/23 £ 000's
BASE EXPENDITURE BUDGET bf	15,669	16,591	14,932	15,769	16,591	14,932	15,414
Corporate Adjustments	-491	-40	0	0	-40	0	0
BASE BUDGET	15,178	16,551	14,932	15,769	16,551	14,932	15,414
Growth Items							
Salary Adjustments	564	531	540	550	531	540	550
Inflation	56	10	10	10	10	10	10
Other Service Pressures	1,100	0	0	0	0	0	0
Total Growth	1,720	541	550	560	541	550	560
Savings							
Efficiency, Transformation & Service Redesign	-370	0	-117	117	0	-117	117
Key Decision	-679	-340	-148	-9	-340	-148	-9
Income Generation	-215	-40	-80	0	-40	-80	0
Budget Variance (-) Deficit	-333	-247	-296	-193	-247	-644	-193
Total Savings	-1,597	-627	-641	-85	-627	-989	-85
Corporate Items							
Changes to Net Cost of Borrowing	-168	-15	41	-77	-15	41	-77
Changes to MRP	-112	-29	-308	3	-29	-308	3
Contribution to/from Reserves BRR	1,363	-1,729	336	79	-1,729	329	72
Contribution to/from Reserves Council Tax	72	-72	0	0	-72	0	0
RCCO	117	292	838	1,025	292	838	1,025
Change in Parish Precept	20	20	20	20	20	20	20
Total Changes in Corporate items	1,292	-1,533	927	1,050	-1,533	920	1,043
Total Net Expenditure	16,592	14,932	15,769	17,293	14,932	15,414	16,931
Financed By							
BASE INCOME BUDGET							
Grants							
Other Government Grants	-267	-240	-216	-192	-240	-216	-192
New Homes Bonus	-2,148	-2,440	-3,278	-4,302	-2,440	-3,278	-4,302
Business Rates							
Sustainable income level	-4,141	-3,249	-3,249	-3,585	-2,901	-2,894	-3,223
Pooling Dividend	-200	0	0	0	0	0	0
Retained Growth	-1,916		-336	-79		-336	-79
Damping	0	-707	0	0	-1,055	0	0
Collection Fund Surplus (-)/Deficit	941	0	0	0	0	0	0
Contribution from BRR Equalisation Reserve	-941	0	0	0	0	0	0
Council Tax							
Tax Base & 2% price increase	-7,781	-8,154	-8,464	-8,819	-8,154	-8,464	-8,819
£5 increase in the Band D each year	-49	-98	-146	-193	-98	-146	-193
2.99% increase compared to a £5 increase in a Band D	-18	-45	-80	-123	-45	-80	-123
Collection Fund Surplus (-)/Deficit	-72	0	0	0	0	0	0
TOTAL	-16,592	-14,933	-15,769	-17,293	-14,933	-15,414	-16,931

Parks and Grounds Options

Large open Spaces - Conservation Cuts:

Summary of Proposal (5.6)

It is proposed to reduce grass cutting on certain large open spaces within Rugby. On such spaces, areas of the grass will only be cut once a year and they will be managed as urban meadows.

Open Spaces within the scope of this proposal are:

- Apple Grove Open Space (general open space)
- Avon Mill Recreation Ground banks (the banks around the sports field)
- Hillmorton Recreation Ground (areas of the recreation ground as there is no longer any organised sport here)
- Yates Ave / Fostered Road – subject to current trial (general open space)
- Burnside – subject to current trial as seen in image 1. (general open space)
- Boughton Road (including Flood basin) – subject to current trial as seen in image 2 (old Gaelic football pitch which is no longer in use.)
- Rokeby Open Space (general open space)
- Shakespeare Gardens (large open space)
- Dunchurch Road / Kingsway (general open space)
- The Heath, Dunchurch (general open space)
- Newbold Recreation Ground (general open space)



Image 1. Example of a conservation cut at Burnside



Image 2. Example of a conservation cut at the old Gaelic football field, Boughton Road

Longer grass in some areas is supported by Warwickshire Wildlife Trust and other conservation bodies due to the biodiversity benefits derived from such management. The creation of urban meadows is seen nationally as good practice and is being implemented in a number of locations across the country.

We have trialled this approach on a number of areas (detailed above) within the Borough, with a mixed response from the public.

Financial Implications

This would result in the loss of 1 FTE and would generate savings of approximately £20,000 per annum.

Risks

- a. A perceived decline in the visual amenity
- b. Potential reputational risk that the Council is not maintaining open spaces to a reasonable standard

Risk Mitigation

- a. Clear communications (signage, interpretation materials, press releases and social media articles) with supporting evidence from external organisations will explain the biodiversity benefits of a conservation cutting regime.

Equality and Diversity Impact Assessment

An Equality Impact Assessment would not be required for this proposal.

Consultation

No consultation is considered necessary in respect of this proposal.

Next Steps

Should the proposal be accepted:

- i. New arrangements will be implemented in the 2019/2020 financial year.
- ii. Communications materials explaining the rationale for the change in management regime will be produced.

Waste and Recycling Options

Following an analysis of the current Waste and Recycling operations, three proposals for efficiencies and savings have been identified. A summary of each proposal, together with financial and risk implications is given below.

1. Kerbside Collections Rural Area

Summary of Proposal

This proposal is to cease doorstep collections within Rural areas (affecting approximately 1,000 properties), but instead asking the householder to present their bins at the edge of the roadside for collection.

Financial Implications

It is estimated that this would result in an operational saving of approximately £75,000. This is the equivalent to 50% of one vehicle and its associated crew.

Risks

The risks associated with the cessation of doorstep collections within the Rural Area are:

- a. Not all household may be able to present bins at the kerbside due to disability.
- b. Public dissatisfaction

Risk Mitigation

- a. A "pull out" bin collection service is available for residents who are unable to present their bins at the kerbside due to a disability. In such cases (and where the necessary criteria are met), we will collect the wheeled bin from the property and return once emptied.
- b. Each affected household will be written to, with the rationale for the decision summarised together with revised collection arrangements

Equality and Diversity Impact Assessment

An Equality Impact Assessment would be required and a draft assessment is attached.

Consultation

It is recommended that this proposal would benefit from direct consultation with each household affected by the proposal.

Next Steps

Should Members approve the proposal, officers will design and deliver a consultation exercise in early 2019.

2. Kerbside Collections Urban Area

Summary of Proposal

This proposal is to cease doorstep collections within Urban areas of Rugby, but instead ask householders to present their bins at the edge of the roadside for collection.

By implementing these arrangements, the Council would no longer collect waste and recycling from rear alleyways of approximately 2000 properties in the Borough. Instead bins would need to be presented at the Kerbside for collection.

It is anticipated that the implementation of this proposal would have the additional benefit of reducing contamination rates in recycling bins which are currently collected from rear alleyways.

Financial Implications

This would result in an operational saving of £75,000. This is the equivalent to 50% of one vehicle and its associated crew.

Risks

The risks associated with the cessation of doorstep collections within the Urban Area are:

- a. Not all household may be able to present bins at the kerbside due to disability
- b. Public dissatisfaction
- c. Lack of clarity over where bins should be presented

Risk Mitigation

- a. A "pull out" bin collection service is available for residents who are unable to present their bins at the kerbside due to a disability. In such cases (and where the necessary criteria are met), we will collect the wheeled bin from the property and return once emptied.
- b. Each affected household will be written to, with the rationale for the decision summarised

Equality and Diversity Impact Assessment

An Equality Impact Assessment would be required and a draft assessment is attached.

Consultation

It is recommended that this proposal would benefit from direct consultation with each household affected by the proposal.

Next Steps

Should Members approve the proposal, officers will design and deliver a consultation exercise in early 2019.

3. Reduced Winter Garden Waste Collections

Summary of Proposal

This proposal is to change the Garden Waste Scheme from April 2019 onwards by either:

a) Implementing a 4-weekly collection (in place of the current fortnightly collection) for three months of the year.

Under this option, garden waste would continue be collected fortnightly between the months of March and November. For three months of the year (December, January and February) collections would be carried out once every four weeks.

b) Ceasing collections for three months of the year.

Under this option, garden waste would continue be collected fortnightly between the months of March and November. For three months of the year (December, January and February) Garden Waste collections cease entirely.

For both options, tonnages of Garden Waste collected have historically reduced significantly during the months affected, with garden waste production reducing and many households reducing the frequency with which they present their bin for collection.

During 2017, the average monthly tonnage of garden waste collected was 700 tonnes per month between March and November. Between December 2017 and February 2018, the average monthly tonnage dropped to an average of 200 tonnes per month – a reduction of approximately 70%.

Financial Implications

This proposal would result in a saving of approximately £30,000 per year for option a and £60,000 per year for option b, on the basis of reduced use of agency staff and reduced vehicle costs.

Risks

a. Public dissatisfaction/ perception of poorer value for money.

Risk Mitigation

a. Should the proposal be accepted, then the 2019/20 Garden Waste Scheme will be advertised and sold on the basis of the revised arrangements. The rationale for the change in arrangements would be publicised.

Equality and Diversity Impact Assessment

An Equality Impact Assessment would not be required for this proposal.

Consultation

No consultation is considered necessary in respect of this proposal, with subscribers being made aware of the arrangements at the point of sign up.

Next Steps

Should Members approve proposal a, officers will ensure that the 2018/19 Garden Waste scheme is advertised on the basis of a 4-weekly collection during the months of December, January and February.

Should Members approve proposal b, officers will ensure that the 2018/19 Garden Waste scheme is advertised on the basis of no collections during the months of December, January and February.

EQUALITY IMPACT ASSESSMENT (EqIA)

Context

1. The Public Sector Equality Duty as set out under section 149 of the Equality Act 2010 requires Rugby Borough Council when making decisions to have due regard to the following:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sex/gender
 - sexual orientation
3. In addition to the above-protected characteristics, you should consider the crosscutting elements of the proposed policy, such as impact on social inequalities and impact on carers who look after older people or people with disabilities as part of this assessment.
4. The Equality Impact Assessment (EqIA) document is a tool that enables RBC to test and analyse the nature and impact of what it is currently doing or is planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. The questions will enable you to record your findings.
6. Where the EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. Once completed and signed off the EqIA will be published online.
8. An EqIA must accompany all **Key Decisions** and **Cabinet Reports**.
9. For further information, refer to the EqIA guidance for staff.
10. For advice and support, contact:
Minakshee Patel
Corporate Equality & Diversity Advisor
minakshee.patel@rugby.gov.uk
Tel: 01788 533509

Equality Impact Assessment

Service Area	Waste and Recycling
Policy/Service being assessed	Kerbside (only) Collections
Is this is a new or existing policy/service? If existing policy/service please state date of last assessment	Existing service with revised arrangements
EqlA Review team – List of members	Dan Green, Shaun Barnes, Minakshee Patel
Date of this assessment	December 2018
Signature of responsible officer (to be signed after the EqlA has been completed)	

A copy of this Equality Impact Assessment report, including relevant data and information to be forwarded to the Corporate Equality & Diversity Advisor.

If you require help, advice and support to complete the forms, please contact Minakshee Patel, Corporate Equality & Diversity Advisor via email: minakshee.patel@rugby.gov.uk or 01788 533509

Details of Strategy/ Service/ Policy to be analysed

<u>Stage 1 – Scoping and Defining</u>	
(1) Describe the main aims, objectives and purpose of the Strategy/Service/Policy (or decision)?	The council is considering implementing a ‘kerbside only’ collection policy for waste and recycling. This would mean that residents whose properties have long drives or rear alleyways would need to present their bins at the kerbside to enable collection
(2) How does it fit with Rugby Borough Council’s Corporate priorities and your service area priorities?	The proposal fits with the proposed corporate priority 2017-2020, “achieve financial self sufficiency by 2020 and the portfolio priority “continue to improve the efficiency of our waste and recycling services”
(3) What are the expected outcomes you are hoping to achieve?	A reduction in the costs of delivering our waste and recycling services
(4) Does or will the policy or decision affect: <ul style="list-style-type: none"> • Customers • Employees • Wider community or groups 	Customers
<u>Stage 2 - Information Gathering</u>	
	As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).
(1) What does the information tell you about those groups identified?	Officers have details of the number and location of properties affected by the proposal. This will enable targeted communications to each affected household.

<p>(2) Have you consulted or involved those groups that are likely to be affected by the strategy/ service/policy you want to implement? If yes, what were their views and how have their views influenced your decision?</p>	<p>No</p>		
<p>(3) If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary.</p>	<p>Should the proposals be approved for progression, the intention is to consult with individual households affected by the changes. It is anticipated that this would happen in early 2019. Beyond the consultation exercise, residents will be informed of additional support which is available for any households where disability or pregnancy affects residents' abilities to present their bins at the kerbside.</p>		
<p><u>Stage 3 – Analysis of impact</u></p>			
<p><u>(1) Protected Characteristics</u> From your data and consultations is there any positive, adverse or negative impact identified for any particular group, which could amount to discrimination? If yes, identify the groups and how they are affected.</p>	<p>RACE N/a</p>	<p>DISABILITY Households where disability prevents residents from transporting bins to the kerbside could suffer adverse impact</p>	<p>GENDER N/a</p>
	<p>MARRIAGE/CIVIL PARTNERSHIP N/a</p>	<p>AGE N/a</p>	<p>GENDER REASSIGNMENT N/a</p>
	<p>RELIGION/BELIEF N/a</p>	<p>PREGNANCY MATERNITY Households where pregnancy prevents residents from transporting bins to the kerbside could suffer adverse impact</p>	<p>SEXUAL ORIENTATION N/a</p>

<p><u>(2) Cross cutting themes</u></p> <p>(a) Are your proposals likely to impact on social inequalities e.g. child poverty, geographically disadvantaged communities? If yes, please explain how?</p> <p>(b) Are your proposals likely to impact on a carer who looks after older people or people with disabilities? If yes, please explain how?</p>	<p>(a) There is no likely impact on social inequality</p> <p>(b) Carers who look after older people or people with disabilities may have difficulties in arranging for bins to be transported to the kerbside. In such instances, the assisted pull out scheme would enable support to such individuals.</p>
<p>(3) If there is an adverse impact, can this be justified?</p>	<p>Potential adverse affects will be mitigated by signposted those affected to the assisted pull out scheme.</p>
<p>(4)What actions are going to be taken to reduce or eliminate negative or adverse impact? (this should form part of your action plan under Stage 4.)</p>	<p>Residents with a disability will be supported through the assisted pull out scheme.</p>
<p>(5) How does the strategy/service/policy contribute to the promotion of equality? If not what can be done?</p>	<p>Residents have access to the same service irrespective of disability or pregnancy.</p>
<p>(6) How does the strategy/service/policy promote good relations between groups? If not what can be done?</p>	<p>n/a</p>
<p>(7) Are there any obvious barriers to accessing the service? If yes how can they be overcome?</p>	<p>n/a (previously addressed)</p>

Stage 4 – Action Planning, Review & Monitoring

If No Further Action is required then go to – Review & Monitoring

(1) Action Planning – Specify any changes or improvements that can be made to the service or policy to mitigate or eradicate negative or adverse impact on specific groups, including resource implications.

EqlA Action Plan

Action	Lead Officer	Date for completion	Resource requirements	Comments
Write to residents affected	Shaun Barnes	TBC	TBC	
Additional promotion of pull out scheme	Shaun Barnes	TBC	TBC	

(2) Review and Monitoring
State how and when you will monitor policy and Action Plan

Please annotate your policy with the following statement:

‘An Equality Impact Assessment on this policy was undertaken on (date of assessment) and will be reviewed on (insert review date).’

Risk Factors influencing the Calculation of a Prudent Level of <u>General Fund</u> Balances			
Key Budget Assumptions	Risk Factors	Comments/Assessment	Reserve Cover £000
EXPENDITURE			
Borrowing Costs	<p>Level of borrowing required or debt held by the Council</p> <p>Level and timing of capital receipts</p> <p>Monitoring progress of capital spending plans</p>	<p>The Council's estimated non-housing Capital Financing Requirement (CFR) over the medium term is approximately £25m. If the Council's borrowing requirement was to increase there would be an increased cost to the General Fund.</p> <p>Taken into account within cash flow management - tendency for slippage.</p>	50
Growth in Service Demand leading to an increased work force	<p>Service demand fuelled by local demographic growth</p> <p>Macro-economic factors</p> <p>New statutory requirements</p> <p>Service improvement initiatives</p>	<p>Demand for many services may be driven by overall levels of population, however in these circumstances any growth in service expenditure is only partially offset by a corresponding growth in the Council Tax base. For example, in recent years, the Council has seen a £200,000 cost pressure from the introduction on an additional household waste collection round.</p> <p>Changes in the local and wider economy can affect the demand for Council services. For example, in recent years the Council has seen in an increase in demand for temporary accommodation, which is partly contributed to by the local housing market, national economic conditions as well as government policy.</p> <p>New statutory requirements imposed by Central Government are in most cases accompanied by matching new burdens funding.</p> <p>Service improvements will considered as part the annual budget setting process in the context of overall budgetary affordability.</p>	250
Budget robustness	<p>How well tested is the MTFP model?</p> <p>Accuracy of financial forecasting</p>	The in year budget monitoring and budget preparation process is significantly detailed and therefore it is unlikely that there could be significant omissions from draft budgets. Based on analysis of in year supplementary adjustments a provision of £0.100m is deemed adequate.	100
Pay Structure and the Employment Market	Single Status Review - Appeals & Market Forces	<p>The modelling for Single Status took account of a provision for these items, however as the economic climate changes more supplements could become due to some employees.</p> <p>At present market supplements totalling £220,000 are paid to General Fund officers.</p>	100
		Amount c/f to next page	500

Risk Factors influencing the Calculation of a Prudent Level of <u>General Fund</u> Balances			
Key Budget Assumptions	Risk Factors	Comments	Reserve
			Cover £000
		Amount b/f from previous page	500
Breach of statutory national requirements	Employment Tribunals Legal challenge to planning decisions Breach of grant/funding conditions	Should the Council be found breach such requirements it may be subject to: - Fines/damages - Government action - Litigation - Funding withheld	150
Planning Income	Local and national economy and house building market	Annual planning income has varied between £0.4m and £1.0m in recent years, illustrating the scope for volatility in this income stream. In prior years surplus planning income compared to budget has been transferred to the Budget Stability Reserve, which at the end of 2017/18 had a balance of £539,000. Therefore there should be sufficient coverage in this reserve to meet shortfalls in future years.	-
Assessment of Risk - the Council's ability to remain competitive in delivering services.	Risk of other companies ability to provide services with a lower unit cost when compared with the Council's in house services.	The Council is committed to providing Value for Money and ensuring that services are delivered whilst maintaining quality standards at a reasonable cost. However, there is always a risk that right sourcing could present a risk to how services are delivered, therefore, it is prudent to set aside funds to help manage the impact of any service redesign or decision to outsource to externally.	100
Organisational transformation	Non-achievement of savings from digitalisation or income from commercialisation.	Within the MTFP it is assumed that £0.4m will be achieved from these programmes per annum. The Council is confident these initiatives will be delivered and exceeded but it is considered prudent to provide some cover for this.	150
Medium Term Income not achieved	Non-achievement of income from the Benn Hall, Sport and Recreation, Trade Waste or Crematorium facility	Approximately £2.0m of income is expected to be achieved per annum from these services. In recent years there have been aggregate adverse variances on some of these services in the region of £150,000.	150
Garden Waste	Reduction in subscriptions	Despite extremely positive income from this subscription service and increase	25
Car Park Income	Local competition and free car parking offers	Car parking income is subject to variance from budget depending on the level of competition in the local market and any free car parking offers that are provided by the Council.	50
		Amount c/f to next page	1,125

Risk Factors influencing the Calculation of a Prudent Level of General Fund Balances			
Key Budget Assumptions	Risk Factors	Comments	Reserve Cover £000
		Amount b/f from previous page	1,125
INCOME			
Within the Council's MTFP it has been assumed that total funding reductions will be limited to 10%. In 2018/19 this is equivalent to a £1.6m reduction. However it is considered prudent to provide reserve cover to protect against funding reduction in excess of 10% cap.			
Retained Business Rates Income	Loss of income from reset of Retained Business Rates.	<p>The business rate baselines will effectively be reset at the point of the introduction of 100% retention, at present it uncertain how much of the growth generated under the 50% retention scheme will be allowed to be carried forward. Should all the growth generated since the scheme started be redistributed elsewhere, the Council would lose in excess of £3m.</p> <p>This potential loss can be offset by further growth expected after the reset. For example from sites included within the local plan, such as South West Rugby and Coton East. It is reasonable to assume income in the region of £300,000 from these sites.</p> <p>In addition at the end of 2017/18 there was approximately £1,285,000m in the Business Rates Equalisation Reserve which could be use to fund the loss.</p>	1,400
	Decline in local economy resulting in a lower than expected growth or decline in local business rates and a reduction in income for the authority.	The Council is budgeting to retain £5.5m business rates in 2018/19. Should overall collection of business rates fall by 1% the Council would stand to lose approximately £0.100m.	100
	Appeals being higher than anticipated	The Council experienced a loss in the region of £50,000 as result of the national claim on GP surgeries. It is considered prudent to provide cover of this scale for a similar national scale claim.	50
	A major business ceasing trading or leaving the borough	On average the Council retains approximately £0.250m in business rates from each of its top ten highest payers. Cover for half this amount is considered prudent.	125
Fair Funding Review	Reduction in Baseline Funding	<p>Within the Business Rate Retention system the Council is guaranteed a Settlement Funding Assessment payment, as determined by its relative needs and resources. For 2018/19 this Payment is £2.2m.</p> <p>The Fair Funding Review could potentially provide more resources for the Council when the new needs and resources assessment methodology is adopted, however on balance it is considered that a reduction in resources is more likely.</p> <p>It is considered prudent to provide a provision for a potential £0.5m reduction in funding</p>	500
New Homes Bonus	Significant changes to the scheme	<p>The Council's 2018/19 NHB allocation is £2.1m. There is concern is that NHB will not continue beyond 2019/20. This will be subject to consultation and feed into the 2019 spending review.</p> <p>It is considered prudent to provide a provision for a potential £1.0m reduction in funding.</p>	1,000
Less: Damping Protection	Existing Assumptions	The Council has already assumed a £1.6m reduction in core funding. This is subtracted from the risk assessment to prevent this loss being double counted	- 1,600
Recommended Amount of General Fund Balances			2,700

AGENDA MANAGEMENT SHEET

Report Title: Treasury Management Report 2018/19 - Progress Report

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: ALL

Prior Consultation: Treasury Management Strategy 2018/19 – 2020/21 Cabinet 5th February 2018

Contact Officer: Mannie Ketley, Head of Corporate Resources and Chief Financial Officer, Tel: 01788 533416

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background: The Council's Treasury Management activities are strictly regulated by the Local Government Act 2003 and the CIPFA Code of Practice on Treasury Management.

Summary: The report sets out the Treasury Management activities for the first half of 2018/19 and the introduction of a revised Minimum Revenue Policy (MRP) for 2018/19.

Financial Implications: The report ensures that the Council is aware of the current Treasury Management position.

Risk Management Implications: There are no risk management implications arising from this report.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: There are no equality and diversity implications arising from this report.

Recommendation:

- (1) The report be noted;
- (2) the monitoring and review of the Treasury Management indicators be agreed; and
- (3) IT BE RECOMMENDED TO COUNCIL THAT-
 - (a) the revised Minimum Revenue Policy for 2018/19 onwards be agreed;
 - (b) the revised Operational Boundary and Authorised Limit Treasury Management indicators be approved; and
 - (c) the amended Specified and Non Specified Investment List (Appendix A) be approved

Reasons for Recommendation: To comply with the Code of Practice

Cabinet - 3 December 2018

Treasury Management Report 2018/19 - Progress Report

Public Report of the Head of Corporate Resources and CFO

Recommendation:

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2. the monitoring and review of the Treasury Management indicators be agreed; and
3. IT BE RECOMMENDED TO COUNCIL THAT-
 - (a) the revised Minimum Revenue Policy for 2018/19 onwards be agreed;
 - (b) the revised Operational Boundary and Authorised Limit Treasury Management indicators be approved; and
 - (c) the amended Specified and Non Specified Investment List (Appendix A) be approved.

1.1 INTRODUCTION

On 27th February 2018, in accordance with the *CIPFA Code of Practice for Treasury Management in the Public Sector*, Council approved the Treasury Management Strategy for 2018/19 – 2020/21. The Code requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year.

This is a report on the Treasury Management activities for the first half of 2018/19 (the mid-year report). Treasury Management is defined as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

(CIPFA Code of Practice for Treasury Management in the Public Sector)

In addition to its own resources (General Fund and Housing Revenue Account (HRA) balances, capital receipts, etc.) the Council also collects council tax on behalf of Warwickshire County Council, the Office of the Police and Crime Commissioner for Warwickshire, and Parish Councils. This means that at given points of time during the financial year, the Council has significant cash holdings which require management prior to scheduled payment dates to the preceptors. A summary of transactions, and the levels of investments and borrowings held, is contained within this report.

The Head of Corporate Resources and Chief Financial Officer is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions.

1.2 ECONOMIC REVIEW APRIL – SEPTEMBER 2018

The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will remain modest at around 1.5% in 2018, the Bank of England’s August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3-month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

1.3 OUTLOOK FOR INTEREST RATES

The Council’s treasury advisor, Link Asset Services, has provided the following forecast:

%	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21
Bank Rate	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.50	1.50
5yr PWLB Rate	2.00	2.10	2.20	2.20	2.30	2.30	2.40	2.50	2.50	2.60
10yr PWLB Rate	2.50	2.50	2.60	2.70	2.70	2.80	2.90	2.90	3.00	3.10

25yr PWL Rate	2.90	3.00	3.10	3.10	3.20	3.30	3.30	3.40	3.50	3.50
50yr PWL Rate	2.70	2.80	2.90	2.90	3.00	3.10	3.10	3.20	3.30	3.30

1.4 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement, (TMSS), for 2018/19 was approved by this Council on 27th February 2018.

- The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:

Prudential Indicator 2018/19	Original £m	Revised Prudential Indicator £m
Authorised Limit	95	125
Operational Boundary	85	115

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. The Authorised Limit represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The change in the Operational Boundary and Authorised Limit reflect the potential increase in the Council's Capital Financing Requirement (CFR) in future years consequent with redevelopment/refurbishment works at multi-storey flats and provides capacity to forward fund subject to an assessment of interest rate risk.

In accordance with its 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.

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.

In addition to the above, an updated list for investment criteria is included at Appendix A to reflect regulatory changes in the governance of Money Market Funds from 21st January 2019. The change, enacted by European Union Regulation in 2017 mean that current funds must define themselves as:

- Public Sector Constant Net Asset Value Money Market Funds (CNAV);
- Low Volatility Net Asset Value Money Market Funds (LV NAV);

- Short Term Variable Net Asset Value Money Market Funds; or
- Standard Variable Net Asset Value Money Market Funds

A summary of the classifications is included at Appendix B.

1.5 INTERIM INVESTMENT REPORT AND SUMMARY OF TRANSACTIONS

Interest earned on investments is an important source of income to the Council, and, like fees and charges, provides funding which would otherwise have to be met from increased council tax.

The average investment balance held between April and September 2018 was £78.715m and the average rate of return was 1.11%, 0.67% above the local authority benchmark of 0.44%. This generated investment income of £416,950. The investment income received exceeded the budgeted to date figure by approximately £121,060. Investment income is apportioned between General Fund, HRA, and other reserves (Section 106, Major Repairs Reserve, etc.) based on average balances and cash-flows during the course of the financial year.

The average debt balance held between April and September 2018 (General Fund and Housing Revenue Account) was £88.109m and the average rate paid was 2.12%, generating interest payable of £993,950. Interest payable was slightly lower than the budgeted to date figure by approximately £33,310.

The latest year end position for 2018/19 for the General Fund net cost of borrowing (interest paid less interest received) is to be £54,510 under budget¹. This is based on the forecast for investment balances to fall during the next six months; for market interest rates to remain static or rise only slightly; and utilising the investment products prescribed in the revised 2018/19 – 2020/21 investment strategy.

The following table summarises the treasury management transactions undertaken during the first half of this financial year:

	Principal Amount £m	Interest Rate %
Investments - as at 31 st March 2018	65.860	1.15%
- matured in period	78,984	
- arranged in period	<u>92.680</u>	
- as at 30 th Sept 2018	79.556	1.13%
Debt - as at 31 st March 2018	99.109	2.44%
- matured/repaid in period	15.000	
- arranged in period	<u>5.000</u>	
- as at 30 th Sept 2018	89.109	2.12%
Net Investments at 31st March 2018	-33.249	
Net Investments at 30th September 2018	-9.553	

No debt restructuring took place during the period 1st April 2018 to 30th September 2018.

1 Does not include interest received from non-investment sources – i.e. car loans

1.6 DEBT MANAGEMENT STRATEGY

The borrowing strategy approved (in February) did not identify a specific need for the Council to borrow this financial year to support the capital programme but highlighted the diminishing level of capital receipts available to finance the General Fund 'standard' capital programme from 2018/19 onwards. The Council will look to match financing with asset life where appropriate and has the option to utilise the Public Works Loan Board (PWLB), other authorities, financial institutions, or 'internal borrowing', that is cash supporting the Council's reserves, balances and cash flow as a temporary measure. The Council continues to monitor the progress of the UK Municipal Bonds Agency (UKMBA), created by the Local Government Association with local authority shareholders.

The outlook for interest rates (see section 1.3) shows a rise in PWLB rates of up to 0.60% over the medium term, although rates remain at near historic lows compared to long term trends. The Council has some flexibility to borrow funds this year for use in future years, subject to capital financing requirements, and consideration will be given to undertaking new loans in advance of need where a pre-determined interest cost is important to the whole-life cost of a project. The Housing Revenue Account (HRA) Capital and Revenue estimates for 2019/20 and HRA medium term financial plan contained elsewhere on this agenda indicate that amounts previously set aside for the repayment of debt will now be utilised as revenue contributions to capital expenditure in light of the redevelopment/refurbishment costs of the multi-storey flats highlighted to Council in September. Officers will review the HRA borrowing pool in light of this requirement and look to match any refinancing with the cash flow expectations contained within the revised HRA 30-year business plan.

In addition to borrowing from external sources the Council has the option of 'intra-fund' borrowing – that is, loans between the General Fund and Housing Revenue Account (HRA). In consultation with its treasury management advisors the Council will continue to look at this facility over the term of the General Fund Medium Term Financial Plan and the HRA Business Plan to ensure opportunities are maximised.

1.7 MRP POLICY REVIEW 2018/19

The Council is required to make Minimum Revenue Provision (MRP) for the repayment of all capital expenditure not financed from other sources (grants, receipts, other contributions, etc.) in the year following the acquisition of the assets relating to that expenditure. The repayment period is linked to the useful economic life of the asset.

A review of the Council's MRP policy has been undertaken by officers in conjunction with Link Asset Services who are an independent public sector financial and treasury management advisor. The objective of the review was to profile MRP for the repayment of its underlying debt liability, in line with the life of the assets associated with that debt in order to achieve a real benefit to the

General Fund and assist with easing current budget pressures, whilst ensuring that the provision remains prudent and compliant with statutory guidance for MRP for repayment of its debt liability.

The MRP review undertaken has identified that an adjustment could be made to the MRP charged in 2018/19 and future years. It is recommended that Council agrees the option identified from the MRP review and approves the following amendments to the MRP Policy Statement:

Amend the MRP Policy for the Capital Financing Requirement (CFR) as at 1st April 2018 for all unsupported borrowing (capital expenditure for which no direct central government support is available and is undertaken with reference to the Prudential Code) (including PFI and finance leases) to apply the asset life - annuity method from 2018/19 onwards.

Statutory Guidance on MRP changed in 2017/18 and will apply for accounting periods starting on or after 1 April 2018. It will remain possible to change the MRP Policy in future periods, however, any changes to MRP Policy made after this date will be based on the CFR at the point the calculation method is changed and will therefore not be allowed to be applied retrospectively.

A comparison of the indicative revised schedule of provision (annuity method) for the period of the Medium Term Financial Plan compared to the previous schedule (equal instalment method) is:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Asset Life – Equal Instalment Method	2,102	1,986	1,651	1,688
Asset Life – Annuity Method	1,834	1,758	1,451	1,510
Variation	268	228	200	178

1.8 TREASURY MANAGEMENT INDICATORS

The Council measures its exposures to treasury management risks using the following indicators. Council is asked to note the following indicators as at 30th September 2018.

Security: average credit rating

To measure the security of its portfolio, the Council compares the historic risk of default of its investments against a maximum target rate.

As an example, based on historic data, a AAA (least risk) rated investment has 0% chance of default within 1 year and a 0.05% chance of default within 3 years. A BBB+ (most risk) rated investment has a 0.22% chance of default within 1 year and a 1.21% chance of default within 3 years. There have been no default events associated with any counterparties the Council has utilised within its investment portfolio since 2009 at the time of the Icelandic banking

collapse. All funds and accrued interest held at that time were subsequently reclaimed via the administration process.

Using the criteria above, the Council's overall portfolio at 30th September 2018 had a 0.024% risk of default.

Credit quality	£000's of portfolio at 30 th September	Historic Risk of Default (within 1 year)	£000's Estimated loss (weighted by length of investment)
AAA	28,652	0.00%	0
AA-	22,880	0.06%	14
A-,A, A+	22,024	0.08%	17
BBB+	0	0.22%	0
Total/average	73,556¹	0.024%	31

¹ This total excludes investments in property funds which are not categorised by the above methodology.

	Limit	Actual	Met?
Historic risk of default	0.25% (max)	0.024%	✓

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The repayment structure of fixed rate borrowing (loans of 12 months or longer) was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	50%	0%	19%	✓
12 months and within 24 months	50%	0%	26%	✓
24 months and within five years	60%	0%	35%	✓
Five years and within 10 years	60%	0%	1%	✓
10 years to 20 years	75%	0%	2%	✓
20 years to 30 years	75%	0%	5%	✓
30 years +	75%	0%	12%	✓

The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£20.00m	£20.00m	£20.00m
Actual principal invested beyond year end	£16.88m	£15.88m	£7.88m
Within limit?	✓	✓	✓

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Treasury Management Report 2018/19 - Progress Report
Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

SPECIFIED AND NON-SPECIFIED INVESTMENTS

A glossary of terms is included at Appendix C

SPECIFIED INVESTMENTS

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

	Minimum Credit Criteria	Maximum Limit
Specified Investments (limit per counterparty)		
UK Government	-	Unlimited
Local Authorities	-	£5m
Money Market Funds:	AAA	Unlimited
- Short Term Public Debt MMFs (Constant Net Asset Value - CNAV)		
- Short Term Low Volatility MMFs (Low Volatility Net Asset Value LVNAV)		
- Short Term Variable NAV MMFs (Variable Net Asset Value – VNAV)		
- Standard Variable NAV MMFs (Variable Net Asset Value – VNAV)		
Pooled Fund / Institution	AAA/A1	Unlimited

All investments with maturities up to 1 year, high credit criteria:			
	Minimum Credit Criteria	Maximum Limit	Maximum Maturity Period
Debt Management Agency Deposit Facility	-	Unlimited	1 year
Term deposits – local authorities and other public institutions	-	£5m	1 year

Term deposits with nationalised banks and building societies:			
	Minimum Credit Criteria	Maximum Limit	Maximum Maturity Period
UK part nationalised banks	UK Sovereign rating	£5m	1 year
Banks part nationalised by high credit rated countries UK and non UK*	UK Sovereign rating	£5m	1 year
The countries approved for investing with their banks: Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK, Australia, Belgium, Hong Kong, USA, Abu Dhabi (UAE), Qatar			

Other instruments:			
	Minimum Credit Criteria	Maximum Limit	Maximum Maturity Period
Collateralised deposit	UK Sovereign rating	£5m	1 year
Certificates of deposits issued by banks and building societies	UK Sovereign rating	£5m	1 year
UK Government Gilts	UK Sovereign rating	Unlimited	1 year
Bonds issued by multilateral development banks	Long term AA	£5m	1 year
Treasury Bills	UK Sovereign rating	Unlimited	1 year

Collective Investment Schemes structures as Open Ended Investment Companies (OEICs):			
	Minimum Credit Criteria	Maximum Limit	Maximum Maturity Period
Government Liquidity Funds	Long Term AA	£5m	1 year
Money Market Funds	Variable NAV Long Term AA	£5m	1 year
Money Market Funds	Stable NAV Long Term AA	£5m	1 year
Enhanced Cash Funds	Long Term AA	£5m	1 year
Bonds Funds	Long Term AA	£5m	1 year
Gilt Funds	Long Term AA	£5m	1 year

NON-SPECIFIED INVESTMENTS (MATURITIES OVER ONE YEAR)

These are any investments which do not meet the specified investment criteria. A maximum of £20 million will be held in aggregate in non-specified investment.

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

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

Term deposits with nationalised banks and building societies:			
	Minimum 'High* Credit Criteria	Maximum Limit	Maximum Maturity Period
UK part nationalised banks	UK Sovereign rating	£5m	5 year
Banks part nationalised by high credit rating (sovereign rating) countries UK and non UK*	Sovereign rating A	£5m	5 year
The countries approved for investing with their banks: Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK, Australia, Belgium, Hong Kong, USA, Abu Dhabi (UAE), Qatar			

Maturities of any period:			
	Minimum 'High* Credit Criteria	Maximum Limit	Maximum Maturity Period
Structured deposits	In accordance with Capita's Credit Worthiness Criteria	£5m	5 years
Municipal Bonds	UK sovereign rating	£5m	5 years
Commercial Paper	Short term F2 Long term A	£5m	5 years
Corporate Bonds / Corporate Bond Funds / Gilt Funds	Short term F2 Long term A	£5m	5 years
Floating Rate Notes	Long Term A	£5m	5 years
Covered Bonds	Long Term AA-	£5m	10 years
Un-rated Bonds	Internal due diligence ²	£5m	10 years
CCLA Property Fund	Non-rated internal due diligence ¹	£2m	10 years
CCLA Diversified Income Fund	Non-rated internal due diligence ²	£2m	10 years
Property Funds	Non-rated internal due diligence ¹	£2m per fund	10 years

Maturities in excess of 1 year:			
	Minimum 'High* Credit Criteria	Maximum Limit	Maximum Maturity Period
Term deposits – local authorities and other public institutions	-	£5m	5 years
Certificates of deposits issued by banks and building societies	UK sovereign rating	£5m	5 years
UK Government Gilts		Unlimited	5 years
Bonds issued by multilateral development banks	AA	£5m	5 years
Corporate Bonds	Short Term F2 Long Term A-	£5m	10 years
Green Energy Bonds	Internal Due Diligence	£5m	10 years
Collateralised Term Deposit	Local Authority	£5m	5 years
Sovereign Bond Issues (i.e. other than the UK government)	AA	£5m	5 years
Property Bonds	Non-rated internal due diligence ²	£5m per bond	5 years

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):			
	Minimum 'High* Credit Criteria	Maximum Limit	Maximum Maturity Period
Bond Funds	AA	£5m	5 years
Gilt Funds	AA	£5m	5 years

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

¹ The Council has been an investor with the CCLA Property Fund since December 2013 and the Lothbury Property Fund since June 2015. In advance of investment treasury management advisors were engaged to assess risk and assist with fund selection processes.

² Investments in these institutions and asset classes will only be undertaken following a review of risk/reward in consultation with the Council's treasury advisors. Specific consideration will be given to factors including: collateralisation, alternate asset classes, minimum term obligations, and potential impact of movement in asset valuations on Council balances. Where appropriate, criteria will be established to convene selection panels prior to the engagement of fund managers.

EU Money Market Fund Reform

On 30th June 2017, Regulation (EU) 2017/1131 for money market funds (MMFs) was published in the Official Journal of the European Union, introducing new rules for MMFs domiciled, managed or marketed in the European Union. The regulation introduces certain new categories of fund structures for MMFs:

- **Public Debt CNAV** – available only for short term MMFs that invest at least 99.5% of their assets in public debt instruments (i.e. government securities), they can continue to operate a constant NAV and are subject to prescribed circumstances for liquidity fees and redemption gates
- **Low Volatility NAV** – available for short term MMFs that invest in money market instruments, able to maintain a constant NAV if mark-to-market NAV remains within 20bps of the constant NAV (or otherwise operate as VNAV), and are subject to prescribed circumstances for liquidity fees and redemption gates
- **Variable NAV** – available for both short-term and standard MMFs, not subject to required liquidity fees and redemption gates provisions

Existing funds will need to comply with one of the categories listed above by the implementation deadline of 21st January 2019.

Appendix

EU Money Market Fund Reform at a Glance

	Public Debt CNAV	Low Volatility NAV	Short-Term VNAV	Standard VNAV
Share Price	Constant NAV	Constant NAV per share, but converts to VNAV when mark-to-market valuation gap >20bps	Variable NAV	
Valuation Method	Amortised Cost	<ul style="list-style-type: none"> Amortised cost for assets <75 days to maturity and with gap to mark-to-market <10bps All other assets mark-to-market 	Mark-to-market	
Fund Valuation	2 decimal places — €/£/\$1.00		4 decimal places — €/£/\$1.0000	
Liquidity Fees/Redemption Gates Restrictions	<ul style="list-style-type: none"> If weekly liquidity drops below 30% and the fund has net redemptions greater than 10%, the Board must decide which action to take, if any Liquidity fees or redemption gates are mandatory if weekly liquidity falls below 10% Fund share price floats if redemption constraints exceed 15 days in 90 day period 		No constraints specified by MMF reform, but redemption gates are allowed under UCITS directive	
Asset Maturity	Maximum 397 days			Max 2 years, with max 397 days to next interest rate reset
WAM	Maximum 60 days			6 months
WAL	Maximum 120 days			12 months
Minimum Overnight Liquidity	10%		7.5%	
Minimum Weekly Liquidity	30%		15%	
Weekly Liquidity Eligible Assets	Minimum 12.5% cash, reverse repo, deposits. Maximum 17.5% gov securities to 190 days. Other MMFs not permitted.		Minimum 7.5% cash, reverse repo, deposits. Maximum 7.5% in other MMFs.	
Eligible Investment Assets	99.5% government assets, cash or reverse repo backed by government assets	Money market instruments, certain securitisations or ABCP, instantly accessible deposits, short-dated reverse repo, other short-term MMFs (excluding circularity), currency and interest rate derivatives (only for hedging purpose)		
Diversification	Max 100% per sovereign, agency or European supranational, across at least 6 issues, max 30% per issue; Max 15% per reverse repo counterparty	Max 5% per issuer	Max 10% per issuer and max 40% aggregate in issuers >5%	
		<ul style="list-style-type: none"> Max 10% per deposit counterparty Max 15% per reverse repo counterparty Max 100% per sovereign, agency or European supranational, across at least 6 issues, max 30% per issue Max 5% risk exposure per derivative counterparty Max 5% per MMF Max 15% overall exposure to securitisation and ABCPs Max 17.5% overall MMF exposure 		

GLOSSARY OF TERMS

Basis Point (BP) 1/100th of 1%, i.e. 0.01%

Base Rate Minimum lending rate of a bank or financial institution in the UK

Benchmark A measure against which the investment policy or performance of a fund manager can be compared.

Bill of Exchange A financial instrument financing trade.

Callable Deposit A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.

Cash Fund Management Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.

Certificate of Deposit Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.

Commercial Paper Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.

Corporate Bond Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Counterparty Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)

CDS Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

CFR Capital Financing Requirement

CIPFA Chartered Institute of Public Finance and Accountancy

CLG Department for Communities and Local Government

CPI Consumer Price Index – calculated by collecting and comparing prices of a set basket of goods and services as bought by a typical consumer, at regular intervals over time. The CPI covers some items that are not in the RPI, such as unit trust and stockbrokers fees, university accommodation fees and foreign students' university tuition fees.

DCLG Department of Communities and Local Government

Derivative A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.

DMADF Deposit Account offered by the Debt Management Office, guaranteed by the UK government.

ECB European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.

EMU European Monetary Union

Equity A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.

EU European Union

Fed. Federal Reserve Bank of America – sets the central rates in the USA

Floating Rate Notes Bonds on which the rate of interest is established periodically with reference to short-term interest rates

Forward Deal The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.

Forward Deposits Same as forward dealing (above).

FSA Financial Services Authority – body responsible for overseeing financial services.

Fiscal Policy The Government policy on taxation and welfare payments.

GDP Gross Domestic Product

GF General Fund

Gilt Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

Gilt Funds Pooled fund investing in bonds guaranteed by the UK government.

Government MMF MMFs that invest solely in government securities, or reverse repurchase agreements backed by Government Securities.

HM Treasury Her Majesty's Treasury

HRA Housing Revenue Account

IFRS International Financial Reporting Standards

IMF International Monetary Fund

iTraxx Brand name for the group of credit default swap index products.

LOBO's Lenders Option Borrowers Option loans

Money Market Fund A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments. It is very similar to a unit trust, however in a MMF.

Monetary Policy Committee (MPC) Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.0% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.

MRP Minimum Revenue Provision

MTFP Medium Term Financial Plan

Open Ended Investment Companies A well diversified pooled investment vehicle, with a single purchase price, rather than a bid/offer spread.

Other Bond Funds Pooled funds investing in a wide range of bonds.

PFI Private Finance Initiative

PWLB Public Works Loan Board

QE Quantitative Easing

Reverse Gilt Repo This is a transaction as seen from the point of view of the party which is buying the gilts. In this case, one party buys gilts from the other and, at the same time and as part of the same transaction, commits to resell equivalent gilts on a specified future date, or at call, at a specified price.

Retail Price Index (RPI) Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

RPIX As RPI but excluding mortgage interest rate movements.

RPIY As RPI but excluding mortgage interest rate movements and changes in prices caused by changes in taxation.

Sovereign Issues (Ex UK Gilts)

Bonds issued or guaranteed by nation states, but excluding UK government bonds.

Supranational Bonds

Bonds issued by supranational bodies, e.g. European investment bank. These bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.

SORP Statement of Recommended Practice

S151 Section 151 Officer

Term Deposit A deposit held in a financial institution for a fixed term at a fixed rate.

Treasury Bill Treasury bills are short term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

UBS Union Bank of Switzerland

US United States

WARoR Weighted Average Rate of Return is the average annualised rate of return weighted by the principal amount in each rate.

WAM Weighted Average Time to Maturity is the average time, in days, till the portfolio matures, weighted by principal amount.

WATT Weighted Average Total Time is the average time, in days, that deposits are lent out for, weighted by principal amount.

WA Risk Weighted Average Credit Risk Number. Each institution is assigned a colour corresponding to a suggested duration using Capita’s Suggested Credit Methodology.

Model WARoR Model Weighted Average Rate of Return is the WARoR that the model produces by taking into account the risks inherent in the portfolio.

AGENDA MANAGEMENT SHEET

Report Title: Finance & Performance Monitoring 2018/19 – Quarter 2

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Corporate Resources

Portfolio: Corporate Resources

Ward Relevance: All Wards

Prior Consultation: None

Contact Officer: Mannie Ketley- Head of Corporate Resources & Chief Financial Officer

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)

Statutory/Policy Background: Section 6.1 of the Council's Financial Standing Orders states that the Head of Corporate Resources:

Be responsible, in conjunction with the Executive Director and Heads for submitting periodic reports to Cabinet and Council during the year, indicating the anticipated financial position compared to original revenue and capital budgets indicating where expenditure is anticipated to exceed or income fall short of the budgeted amount by the margins agreed corporately for the purpose of budget monitoring.

Summary: This report sets out the 2018/19 Quarter 2 (Q2) financial and performance position for the Council based on Q2 actual expenditure and income, plus any known risks or opportunities that have developed subsequently.

The report also presents proposed budget adjustments as required by Financial Standing Orders

Financial Implications: As detailed in the main report.

Risk Management Implications: This report is intended to give Cabinet an overview of the Council's spending and performance position for 2018/19 to inform future decision-making.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: No new or existing policy or procedure has been recommended.

Options:

Members can elect to approve, amend or reject the supplementary budget requests listed at recommendations 2 to 9.

Recommendation:

- 1) The Council's anticipated financial position for 2018/19 be considered;
- 2) A supplementary General Fund capital budget of £9,000 be approved for 2018/19 for an upgrade of the document management system, to be funded from £6,000 of General Fund revenue contributions and £3,000 HRA revenue contributions;
- 3) A General Fund revenue budget virement of £26,390 be approved from Legal Services to Financial Services due to a restructure which has resulted in the Procurement Officer transferring to the Financial Services team; and
- 4) A supplementary General Fund revenue income budget of £20,000 for 2018/19 only be approved for the Garden Waste service, with a corresponding contribution and reduction in the Corporate Savings Target.

IT BE RECOMMENDED TO COUNCIL THAT:

- 5) The following HRA capital budgets be returned to balances:
 - * Rewiring £235,000,
 - * Roof Refurbishments Rounds Gardens £283,930 and
 - * Patterdale Sheltered Scheme Improvements £192,500;
- 6) A supplementary General Fund capital budget of £60,000 for 2018/19 be approved for Croop Hill chapel refurbishment, to be funded from external contributions;
- 7) A supplementary General Fund revenue budget of £100,000 for 2018/19 only be approved for Economic Development in relation to completion of the Local Plan, to be funded from the Budget Stability Reserve;
- 8) A supplementary General Fund revenue budget adjustment of £186,000 be approved for the Hall of Fame to align the income budgets with the income achieved in previous years, to be funded from General Fund Balances; and

9) Performance summary and performance data included in Appendix 4 be considered and noted.

Reasons for Recommendation: A strong financial and performance management framework, including oversight by Members and senior management, is an essential part of delivering the Council's priorities and statutory duties

Cabinet - 3 December 2018

Finance & Performance Monitoring 2018/19 – Quarter 2

Public Report of the Chief Financial Officer

RECOMMENDATION

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- 2) A supplementary General Fund capital budget of £9,000 be approved for 2018/19 for an upgrade of the document management system, to be funded from £6,000 of General Fund revenue contributions and £3,000 HRA revenue contributions;
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- 9) Performance summary and performance data included in Appendix 4 be considered and noted.

1. INTRODUCTION

This is the second of the quarterly finance and performance monitoring reports for 2018/19, which combines both finance (revenue and capital) and performance monitoring. This is based on actual expenditure and budgets to Quarter 2 (Q2), plus any other known changes or risks that have developed subsequently. The purpose of the report is to inform Cabinet of the Council's overall financial and performance position for the year-to-date and the year-end projections as supplied by officers. A final report will be presented to Cabinet in June 2019 for year-end.

The key sections of the report are laid out as follows:

- General Fund (GF) Revenue Budgets - Section 3 and Appendix 1;
- Housing Revenue Account (HRA) Revenue Budgets - Section 4 and Appendix 2;
- Capital Budgets - Section 5 and Appendix 3;
- Performance – Section 6 and Appendix 4

Throughout the report, from a financial perspective, adverse variances to budget, expenditure overspends, and income shortfalls are shown as positive values. Favourable variances, such as expenditure underspends and additional income, are shown as negative values.

2. BACKGROUND

The 2018/19 General Fund revenue budget was balanced with net expenditure reduced by almost £850,000 or 7%. To achieve this, the budget approved in February 2018 included increased service savings and income, such as additional income from garden waste scheme, as well as higher income from council tax and business rates. These together addressed the shortfall in government funding and anticipated growth requirements to meet on-going inflation and service demand pressures over the coming year.

Whilst the Council continues to make efficiencies and drive forward the key Corporate priority of self-sufficiency, this does not take away from the significant challenges that are faced in future years as reported in the Medium Term Financial Strategy in April.

The second draft budget report for 2019/20 is presented to Cabinet elsewhere on this agenda.

3. GENERAL FUND (GF) REVENUE BUDGETS:

3.1 Overview and key messages

- There is a favourable variance to date of **£5,200** based on actual spend to the end of the Quarter 2 against profiled budgets.
- General Fund portfolios show an anticipated adverse forecast variance of **£43,800** expected by 31st March 2019.
- After offsetting the portfolio overspend against the MRP and the Net Cost of Borrowing underspend, total General Fund Revenue is forecast to come in with a favourable variance of **£224,900** by 31st March 2019.

Hall of Fame

The Hall of Fame opened in November 2016 and has played a key role widening the awareness of Rugby's heritage and encourage more visitors to the town centre. During the current financial year the council has, with its partners;

- secured substantial sponsorship from Tudor;
- developed a community partnership with Wasps RFC;
- established a presence for the attraction through custom signage at Rugby railway station and at Elliott's Field retail park;
- promoted the town as a visitor destination at trade and travel shows, and through targeted marketing;
- created a package visitor pass for the town, offering combined access to the Hall of Fame and to Rugby School;
- launched an annual entry pass, linked to related data collection for re-marketing.

The current forecast income levels are projected to be in-line with the income received in 2017/18. Therefore, at recommendation 8 it is proposed that the attraction's anticipated income be amended to align with the income achieved in previous years.

Community Advice and Support Team

The current forecast anticipates an adverse variance of **£322,000** relating to Temporary Accommodation use for homelessness. Between February and June demand had increased from 15 households to a peak of 36 households. Mitigating actions (see below) have now brought this figure down to 11 households as at 17th October 2018:

- the number of properties sourced through the Council's Private Sector Leasing Scheme (PSLS) has increased from 31 units in February to a current stock of 51 units;
- 10 units at Rounds Gardens have been released back into use for temporary accommodation licenses from September 2018, following the completion of survey work;

- Additional staffing to assist individuals and families move from temporary accommodation into sustained tenancies in the private sector; and
- 2 open market acquisitions are at conveyancing stage with a further 4 properties in the pipeline for temporary accommodation.

Demand upon the service is anticipated to remain high. Draft General Fund revenue budgets for 2019/20, included elsewhere on this agenda, presents net growth relating to the provision of homelessness services at £513,000. Further measures to mitigate the revenue implications involving capital investment in the provision of temporary accommodation are presented for members' approval within the Housing Acquisition Fund report on this agenda.

In addition to the above, HRA stock will increase during 2018/19 and 2019/20 by 37 homes, as properties at Cawston Meadows and Rugby Gateway become operational. The Council also bid into the Additional HRA Borrowing Programme (2019/20 – 2021/22) launched by MHCLG in June 2018 to build/acquire a potential 85 homes at:

- Back Lane, Long Lawford (Section 106 Affordable Housing);
- HRA Garage Sites
- Gas Street Car Park

Following the abolition of the HRA Limit on Indebtedness (“Debt Cap”) announced by the Chancellor in his budget on 29th October 2018, MHCLG has indicated that Councils are now free to progress their proposals contained in the bid without reference to central government.

Housing Benefit Payments

Based on data gathered as part of the formal mid-year subsidy submission to government at the end of August, there has been a reduction in the overall level of debt associated with Housing Benefit payment, primarily due to the transition to Universal Credit. Consequently, the bad provision relating to the collection of Housing Benefit overpayments is forecast to be reduced by **£166,000** compared to budgeted estimates. This amount has also been reflected as a budget saving for 2019/20.

Minimum Revenue Provision

There is a **£214,000** underspend against the Minimum Revenue Provision (MRP) for the repayment of debt. The Council is required to make revenue provision for the repayment of all capital expenditure financed from borrowing in the year following the related capital expenditure. The repayment period is linked to the useful economic life of the asset.

Significant slippage on capital schemes in financial year 2017/18, notably vehicle purchases (£1,264,000) means that £214,000 set aside for 2018/19 is not currently required. The majority of the underspent 2017/18 budgets were carried forward into 2018/19 and are currently forecast to be spent in this financial year. Therefore, the underspend on MRP is expected to be a one-off saving for 2018/19 only.

3.2 Major Variances

A summary of the key variances is included within the table below:

Portfolio/Service	Variance at Q2	Variance at Year-End
	£	£
Growth & Investment		
<p>Hall of Fame- The Hall of Fame opened in November 2016 and has played a key role widening the awareness of Rugby's heritage and encourage more visitors to the town centre.</p> <p>The current forecast income levels are projected to be in-line with the income received in 2017/18. Therefore, at recommendation 8 it is proposed that the attraction's anticipated income be amended to align with the income achieved in previous years.</p>	+49,900	+186,000
<p>Queens Diamond Jubilee Centre- The variance relates to costs associated with repair works to the centre.</p>	+18,000	+17,900
<p>Sports and Recreation- The variance relates to salary costs within the On-Track Service. It is anticipated that the income that will be brought in to the service will be less than the associated staff costs.</p>	+12,600	+11,900
Other variances	-11,300	+9,200
Subtotal	+69,200	+225,000
Environment & Public Realm		
<p>Cemeteries- The variance relates to an anticipated overachievement of burial and licence income. This mirrors the trend seen in 2017/18 and it is proposed the income budgets be increased as part of the budget setting process for 2019/20.</p>	-51,100	-41,300
<p>Crematorium- The projection to year-end relates to an increase in cremation income of £10,000 compared to budget.</p>	-43,000	-13,300
<p>Domestic Waste & Recycling- The variance to year-end relates to an anticipated overachievement of recycling credits income compared to budget. This has been reviewed and adjusted as part of the budget setting process for 2019/20</p>	-2,400	-20,800
<p>Regulatory Services- There are salary underspends of £25,000 within Regulatory Services, due to staff turnover with vacancies in the process of being filled.</p> <p>In addition, there is £25,000 anticipated income from other Local Authorities with regards to investigative fly tipping works. This income was not included within the 2018/19 budget but is being factored in to the 2019/20 budget.</p>	-87,200	-60,700

Street Cleansing- The is a projected underspend on salaries, due to several vacant posts within the service. It is anticipated that these will be recruited to from November 2018.	-19,500	-15,300
Trade Waste- There has been an overachievement of income due to increased customer demand. At Q2 actual income received already exceeds the annual budget by £30,000 and it is anticipated to exceed the budget by £60,000 at year-end.	-57,600	-61,500
Travellers Enforcement- Expenditure to date for the enforcement and preventative measures with regards to Travellers occupying Council owned land. The Council has recently secured new legal powers to stop illegal encampments on Council owned land, meaning offenders can be arrested within 24 hours if they do not comply. It is anticipated that this will reduce the amount of time that officers will need to spend working on these cases as they will be able act more quickly.	+19,600	+26,200
Other variances	-23,400	-17,200
Subtotal	-264,600	-203,900
Communities & Homes		
Community Advice & Support- Between February and June demand had increased from 15 households to a peak of 36 households. Mitigating actions have now brought this figure down to 11 households as at 17th October 2018. The overall increased level of demand has meant that existing homeless people have remained in Bed and Breakfast accommodation for longer periods.	+296,500	+322,000
Customer & Information Services- The projected underspend at year-end relates to vacancies within the Service. A new ICT manager is due to start in December 2018, with two further trainee positions expected to be filled by December 2018. Any residual one-off underspends will be considered for transfer to the Corporate Savings Target later in the year.	+18,300	-42,300
Customer Support Services- The variance relates to a projected underspend on salaries due to vacant posts and the acceptance of staff requests to work reduced hours.	-42,700	-31,800
Housing Benefit Payments- There has been a reduction in the overall level of debt associated with Housing Benefit payment, primarily due to the transition to Universal Credit. Consequently, a reduced bad provision has been forecast relating to the collection of Housing Benefit overpayments. This amount has also been made available as a budget saving for 2019/20.	+1,000	-166,200
Other variances	-3,700	-10,900
Subtotal	+269,400	+70,800

Corporate Resources		
General Financial Services- The variance mainly relates to additional spend on payment card costs due to a higher volume of transactions.	+52,600	+18,800
Legal Services- The reported variance is mainly due to vacancies. The newly appointed Legal, Democratic and Electoral Services Manager joined the Council in October. In addition the Legal Team Leader post is currently being recruited to and it is anticipated that this position will be filled from February 2019.	-66,700	-22,200
Other variances	+1,400	+8,700
Subtotal	-12,700	+5,300
Executive Directors Office		
Electoral Services - The variance mainly relates to an contribution of income of £44,000 in relation to 2017/18 parliamentary elections.	-55,700	-48,500
Other variances	-10,800	-4,900
Subtotal	-66,500	-53,400
Total	-5,200	+43,800
Other Corporate Items		
Minimum Revenue Provision (MRP) – The variance is a result of underspends on several capital schemes in 2017/18, mainly on vehicle procurement. The majority of the underspent 2017/18 capital budgets were carried forward into 2018/19 and are forecast to be spent in this financial year. Therefore, this underspend on MRP is expected to be a one-off saving for 2018/19 only.		-214,300
Net Cost of Borrowing – The slippage mentioned above has resulted in a lower borrowing requirement. In addition, there are higher yields on investments as market expectations changed ahead of the Bank Rate rise in August 2018.		-54,400
	-5,200	-224,900

Positive Figures (+): Overspend/Underachievement of income
Negative Figures (-): Underspend/Additional income

3.3 Anticipated General Fund Balances

	£	£
GF Balance at 31st March 2018		-3,069,000
Contribution from balances 2018/19	+13,200	
Supplementary budget approvals	+19,600	
Anticipated variance to the end of 2018/19	-224,900	
Amount to be added to balances		-192,100
Anticipated GF Balance at 31st March 2019		-3,261,000

Positive Figures (+): Contribution from Balances
 Negative Figures (-): Contribution to Balances

The table above shows that GF balances are forecast to be £3.261 million at the end of 2018/19, after considering the projected variance and other budget adjustments.

3.4. Business Rate Retention

The Council sets its business rates budget for 2018/19 based on the NNDR1 form that was submitted to Government on 31st January 2018. It was forecast that the Council would collect £48.8m of business rates during 2018/19, of which Rugby Borough Council would retain £5.5m.

Based on Quarter 2 figures, it is forecast that actual business rates income collected and accounted for in 2018/19 will be **£51.2m**, which is **£2.4m** higher than estimated. This is mainly due to the receipt of backdated business rates in 2018/19, in respect of properties that were operationally completed in 2017/18 but were not listed on the ratings list due to delays by the Valuation Office e.g. LEVC at Ansty Park.

However, due to complexities in the reporting and accounting of business rates this estimated in-year cash surplus translates to a forecast accounting deficit of **£390,000** against the 2018/19 budget. This is because, it is only the **budgeted** business rates income of £5.5m, as per the NNDR1, that will be credited to the General Fund in 2018/19. Therefore, the General Fund does not see any in-year benefit of the in-year cash surplus, as this is managed through the Collection Fund and will be recognised in future year budgets.

However, the 50% levy payment made to government is based on **actual** growth and because the Council has received a cash surplus in-year there is a larger levy to pay in 2018/19. Consequently, the Council's levy payment will be approximately £0.5m higher than budgeted.

This negative variance on the levy is partially offset by a higher gain from pooling with the Coventry & Warwickshire Business Rates Pool than originally estimated. It is forecast that the actual benefit will be similar to the 2017/18 figure of £340,000.

The following table details the estimated outturn position and a budget shortfall of £389,500.

	2018/19 budget	2018/19 Outturn	Variance
	£	£	£
RBC share of NDR Income @ 40% (as per the NNDR1 forecast)	-19,505,678	-19,505,678	0
Less Tariff	12,767,130	12,767,130	0
Gross Amount Retained	-6,738,548	-6,738,548	0
Section 31 Grants	-1,205,481	-1,185,771	19,710
Levy Payment	2,687,807	3,197,597	509,790
Net Retained Income	-5,256,222	-4,726,722	529,500
Coventry & Warks BR Pool Income	-200,000	-340,000	-140,000
Total Business Rates Income	-5,456,222	-5,066,722	389,500

3.5 Corporate Savings Target

As part of the Budget Setting process for 2018/19, a Corporate and Salary Savings Target of £200,000 was set. A further £160,000 was also budgeted to reflect the ongoing efficiencies that it is anticipated will be realised through digitalisation of services.

	End of Q2 £	To Year-End £
Corporate, Salary & Digitalisation Savings	-207,150	-360,000
Total	-207,150	-360,000

The **£207,150** identified at Q2 represents a 58% delivery of the total target, with progress updates to be included in later reports.

The savings to date includes the £20,000 supplementary budget requested in this report with regards to Garden Waste. Should this not be approved, the figures will be amended accordingly.

3.6 General Fund Risks

The main financial risks to the delivery of the forecast year-end position for 2018/19 are:

- **Community Advice and Support** – As reported, there are significant financial and operational pressures with regards to providing temporary accommodation. The amount of income that can be recovered through Universal Credit is less than the cost of provision, however, the Council is currently working through options to mitigate this risk.
- **Recycling Gate Fee** – The current charges for recycling are higher than the average costs received in 2017/18 by 43%. We are currently forecasting to be

on budget, however, the level of fee paid is heavily influenced by the prevailing market conditions for the sale of recycled materials. Therefore, the actual fee paid at year-end could vary significantly depending on the market conditions for the remainder of the year.

- **Traveller Enforcement-** As reported, there are current financial pressures with regards to removal of Travellers from Rugby Borough Council land. This has resulted in costs of £26,200 to date, however, while the council's injunction has reduced the risk this may increase if there are further instances within the second half of the financial year.

3.7 Supplementary Budget Requests

Garden Waste income budget – Recommendation 4

A supplementary General Fund revenue income budget of £20,000 is requested for the Garden Waste service in-line with income received during 2018/19. It is recommended that this budget be put towards the Corporate Savings Target for 2018/19, as this has been achieved through route optimisation which has allowed extra capacity to serve more households within the existing rounds.

Economic Development- Recommendation 7

A supplementary General Fund revenue budget of £100,000 is requested in relation to Local Plan costs for the Planning Inspection.

When the 2018/29 budget was set, it had been assumed that the Local Plan would be completed in 2017/18, however, the completion of the process has been deferred into 2018/19 due to the requirement to undertake further consultation at the request of the inspector. Consequently, a further £100,000 is required to complete the process in this financial year.

4 HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGETS:

4.1 Context

Housing Rents were set by Council on 6th February 2018, in the context of rent policy changes from government, most notably the imposition of 1% rent reductions for the period 2016/17 until 2019/20. The impact upon income generation as a consequence of this change is estimated at £5.107m over the 4-year period.

Biart Place/Rounds Gardens

Council has received two reports in 2018/19 concerning the condition and potential options for both Biart Place and Rounds Gardens. On 27th September 2018 Council approved:

- Proceeding with the Biart Place redevelopment design and procurement;
- Installation of additional fire alarms at Rounds Gardens based on recommendations by the fire risk assessor and Warwickshire Fire and Rescue Service (upon the assumption tenants remain in the block for the duration of these works); and
- a further report to Council in December updating information on structural surveys at Rounds Gardens.

The structural findings in respect of the blocks at both sites, which account for almost 10% in total of the Council's HRA stock, were unanticipated. The measures required to respond to these findings will have an extraordinary impact on the HRA's financial resources, which will impact on its ability to meet to both current and emerging housing needs. This will, in turn, have a potential impact on the General Fund, as unmet housing need has to be increasingly met via temporary accommodation. The Council has approached Central Government to establish what financial support they are able to provide to respond to these issues.

The draft HRA Revenue and Capital Budgets 2019/20 report to Cabinet (5th November 2018) included a recommendation that £5.839m set aside for the repayment of debt in 2018/19 is now utilised as Revenue Contributions to Capital.

4.2 Overview and key messages

- There is an adverse variance to date of **£16,080**, based on actual spend to the end of the Quarter 2 and monitored against profiled budgets.
- HRA services show a forecast adverse variance of **£158,680** at year-end.

4.3 Major Variances

A summary of the key variances follows:

HRA Income and Expenditure	Variance at Quarter 2 £	Variance Forecast to Year-End £
Rent income from dwellings – Void levels have increased from an estimated 1% to 3.2%, primarily as a result of the decanting of properties at Biart Place and intensive structural surveys at Rounds Gardens.	+55,580	+83,050
Staffing costs Forecast variance arising from: <ul style="list-style-type: none"> Salary and employment costs relating to 4 vacant posts (-£145,880, predominantly within the Property Maintenance and Housing Management-Tenancy Sustainment teams); offset by: Use of agency staff within Property Maintenance and Estate Management teams (+£41,240) 	-52,320	-104,640
Biart Place/Rounds Gardens - Additional security costs and risk measures at Biart Place and Rounds Gardens (24/7 floor walking, inspection of void properties, structural surveys, etc.) to minimise potential of a shock event. The forecast is based on the current timing of the decant process at Biart Place and ongoing risk measures at Rounds Gardens but may be subject to revision based on actual moves during Quarter 3 and Quarter 4. These pressures will be met HRA revenue balances, which were enhanced in 2017/18 following the transfer of the Voluntary Revenue Provision (VRP) to HRA revenue balances.	+30,600	+175,730
Rent, rates, taxes, and other charges – Council tax charges payable by the Housing Revenue Account in its landlord function as the owner of empty premises at Biart Place.	+45,450	+68,600
Interest Payable & Investment income – Slippage within the HRA capital programme in 2017/18 has resulted in higher HRA cash balances within the year for investment, coupled with higher investment rates available as markets anticipated the rise in Bank of England base rate in August 2018.	-63,230	-80,980
Other minor variances	+19,450	+16,920
Net Variance	+16,080	+158,680

Positive Figures (+): Overspend/Underachievement of income
Negative Figures (-): Underspend/Additional income

4.4 Anticipated HRA Balances

	£	£
HRA Balance at 31st March 2018		-6,692,550
Supplementary Budget Approvals (Council 24 th April 2018: increased security costs/risk measures for Biart Place and establishing a guarantor/indemnity reserve – see 4.1)	+1,511,500	
Anticipated overspend to the end of 2018/19	+158,680	
Amount to be taken from balances		+1,670,180
Anticipated HRA Balance at 31st March 2019		-5,022,370

Positive Figures (+): Contribution from Balances
 Negative Figures (-): Contribution to Balances

Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve for the capital financing of the planned element of replacement expenditure on council houses. The reserve earns interest on all balances which must also be used for this purpose. Significant expenditure to be charged to the reserve in 2018/19 includes:

- Disabled Adaptations (£200,000);
- Bathroom replacements (£350,000); and
- Heating Upgrades (£265,000)

	£	£
Balance at 31st March 2018		-1,579,450
Depreciation on non-current assets	-2,287,000	
Interest Received	-18,910	
Capital Financing	+1,114,400	
Amount to be added to balances		-1,191,510
Balance at 31st March 2019		-2,770,960

Positive Figures (+): Contribution from Balances
 Negative Figures (-): Contribution to Balances

Housing Repairs Account

The Housing Repairs Account is an earmarked reserve for the financing of reactive and planned maintenance on council houses.

	£	£
Balance at 31st March 2018		-1,089,080
Contributions during the year	-3,675,610	
Repairs and maintenance charged	+3,675,610	
Amount to be added to balances		0
Balance at 31st March 2019		-1,089,080

Positive Figures (+): Contribution from Balances
Negative Figures (-): Contribution to Balances

HRA Capital Investment Balances

HRA Capital Investment Balances are utilised to fund acquisitions (in tandem with a proportion of retained Right to Buy receipts) and other capital expenditure not financed via the Major Repairs Reserve, for example Housing Management System software, CCTV and Lifeline replacement equipment.

Acquisition and new build expenditure to be funded via HRA Capital Investment Balances in 2018/19 include:

- Cawston Meadows Houses
- Bell House Redevelopment

Further to Council approval (24 April 2018 and 27 September 2018) £2.990m of decanting costs, surveys, and structural modelling expenditure will be charged against balances in 2018/19 in respect of Biart Place and Rounds Gardens. Subject to further approvals, capital costs for this project will be charged against HRA Balances (Capital) and RTB Capital Receipts where applicable.

	£	£
Balance at 31st March 2018		-14,024,700
Contributions during the year	-5,839,000	
Expenditure charged	+9,599,000	
Amount to be taken from balances		+3,760,000
Balance at 31st March 2019		-10,264,700

Positive Figures (+): Contribution from Balances
Negative Figures (-): Contribution to Balances

Right-to-Buy (RTB) Capital Receipts

The Council entered a 1-4-1 retention agreement with Ministry of Housing Communities and Local Government (MHCLG) in 2012 allowing it to retain a greater proportion of receipts upon the condition that they are utilised in provision of replacement housing within 3 years. Receipts under the 1-4-1 retention agreement that are not utilised must be returned to Her Majesty's Treasury (HMT) and incur and

interest charge of Bank of England Base Rate plus 4%. Only 30% of the expenditure incurred on replacement housing may currently be financed from RTB receipts.

25 homes were sold under RTB in 2017/18 producing an average receipt of £85,000 (prior to pooling). 8 homes were purchased in 2017/18, including 3 at the Cawston Meadows site.

11 homes have been sold under RTB in 2018/19 up to 30th September 2018. A further 31 homes will be added to the portfolio from the Cawston Meadows development in 2018/19 in addition to an estimated 12 open market purchases.

	£	£
Balance at 31st March 2018		-6,606,320
Net contributions (after pooling)	-1,286,120	
Expenditure charged	+1,577,000	
(-) Increase / (+) decrease in RTB Receipts		+290,880
Balance at 31st March 2019		-6,315,440

Positive Figures (+): Contribution from Balances
 Negative Figures (-): Contribution to Balances

5 CAPITAL:

5.1 General Fund Capital – Overview

- The General Fund capital programme is currently budgeted at £5.880m for 2018/19 (including £3.657m carry forwards from 2017/18.)
- At the end of Quarter 2, the General Fund capital programme shows an adverse variance of **£126,490** against profiled budgets.
- There is currently a forecast adverse variance to year-end of **£33,260**

5.2 General Fund Capital – Major Variances

A summary of the variances by portfolio is included within the table below:

Portfolio / Service Area	Variance at Quarter 2 £	Variance Forecast to Year-End £
Growth and Investment	0	0
Communities and Homes		
Capital Digitalisation Work – a supplementary capital budget will be requested at year end to be met from the Digitalisation and Trading reserve. Expenditure to date relates to the ‘My Account’ interface for Council Tax and Housing Benefits.	+30,820	+30,820
Disabled Facilities Grant – a possible saving following a reduction in demand against anticipated expenditure. Officers will review further initiatives being developed by the HEART service in respect of aids and adaptations prior to further recommendations to Council.	0	-150,000
Other minor variances	+24,240	+12,640
Subtotal	+55,060	-106,540
Environment and Public Realm		
s.106 capital expenditure – a supplementary capital budget will be requested at year end against Section106 funding. This is mainly for Cawston Community Hall.	+124,620	+124,620
Other minor variances	-50,540	0
Subtotal	+74,080	+124,620
Corporate Resources	-2,650	+15,180
Net Variance	+126,490	+33,260

Positive Figures (+): Overspend
Negative Figures (-): Slippage / Underspend

5.3 HRA Capital – Overview

- The HRA capital programme is currently budgeted at £15.203m for 2018/19 (including £7.258m carry forwards from 2017/18).
- The following schemes budgets are to be returned to balances:
 - **Roof Refurbishments** – Rounds Gardens (£283,930) further to the ongoing structural review and to be incorporated into specific future HRA schemes relating to this site;
 - **Rewiring** (£235,000)- scheme no longer required in financial year 2018/19; and
 - **Patterdale Sheltered Scheme Improvements** (£192,500) following a redesign of scheme which has resulted in cost savings against the original project estimate.
- At the end of Quarter 2, the HRA capital programme shows a favourable variance of **£10,550** against the profiled budget.
- There is currently a forecast favourable variance to year-end of **£971,380**.

5.4 HRA Capital – Major Variances

Portfolio / Service Area	Variance at Quarter 2 £	Variance Forecast to Year-End £
Housing Management System – following successful procurement earlier in the year, a project management plan has now been established for the implementation of the new system in 2019. The forecast variance reflects agreed contract prices with contingencies for interfacing 3 rd party software to the system where required.	-2,090	-244,720
Kitchen Modifications – all contracted and scheduled works for 2018/19 have now been completed.	+4,850	-74,830
Fire Risk Prevention Works – the forecast expenditure relates to fire assessments at multiple locations currently underway.	-2,900	+65,000
Rewiring - scheme no longer required in financial year 2018/19 following assessment.	-3,940	-235,000
Roof Refurbishments - Rounds Gardens – budget to be returned to HRA balances for incorporation into future specified programme details pending final structural reports and recommendations on the Rounds Gardens site.	-	-283,930
Patterdale Sheltered Scheme Improvements – a scheme redesign has enabled cost savings when compared to the original estimate.	-	-192,500
Other minor variances	-6,470	+5,400
Net Variance	-10,550	-971,380

6. PERFORMANCE SUMMARY

This is the monitoring report for the second quarter of 2018/19 and the reported data can be seen in Appendix 4.

Following completion of the corporate strategy action planning workshops earlier this year, each performance indicator has been linked to at least one corporate priority and appears on the Councillor's portal on the Rugby Performance Management System (RPMS). There have been many new performance indicators following the workshops and these new indicators will be establishing baseline data during 2018/19, so that means currently we can only look at the short-term trends of these PIs

There is still ongoing work with departments to refine their performance measures to ensure that they are capturing useful data. As an example, there will be development of the Benn Hall performance measures to take into account the surplus income retained by the Benn Hall as recommended by SMT.

As well as performance indicators, Councillors are able to view the projects being undertaken by each department that deliver upon the corporate priorities. The Corporate Assurance and Improvement team is currently reviewing the progress being made towards the delivery of projects.

When logging into the RPMS you should be using the link on the SharePoint home page. You should not need a username or password due to the single-sign-on process. If you are not able to access the RPMS it means you have not attended a training session and you will need to attend a training session which you can request by contacting RPMSsupport@rugby.gov.uk

If there is specific performance data not covered in the appendix on a particular subject matter that you wish to review, then please request a performance report from the Corporate Assurance & Improvement team by emailing rpmssupport@rugby.gov.uk .

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Finance & Performance Monitoring 2018/19- Quarter 2
Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

General Fund**Revenue Budget Monitoring 2018/19 April 2018 to September 2018****Key:**

+ = over spend / income shortfall

- = under spend / additional income

	Profiled Budget to Qtr 2	Actual Spend to Qtr 2	Variance to Profile Qtr 2	Current Budget	Projection to Year-End	Variance to Year-End
Portfolio Expenditure :-	£'000	£'000	£'000	£'000	£'000	£'000
Growth & Investment	2,309	2,378	69	3,134	3,359	225
Corporate Resources	-413	-426	-13	1,036	1,041	5
Environment & Public Realm	3,709	3,445	-264	6,990	6,786	-204
Communities & Homes	7,037	7,307	270	1,974	2,045	71
Portfolio Expenditure	12,642	12,704	62	13,134	13,231	97
Executive Director's Office	1,373	1,306	-67	1,961	1,907	-54
	14,015	14,010	-5	15,095	15,138	43
Less Corporate Savings and Digitalisation Target				-153	-153	0
Less IAS 19 Pension Adjustment				-317	-317	0
Less Capital Charge Adjustment				-2,591	-2,591	0
Net Expenditure				12,034	12,077	43
Net Cost of Borrowing				465	411	-54
MRP Adjustment				1,929	1,715	-214
Revenue Contribution to Capital Outlay				88	88	0
Contribution to Business Rate Equalisation Reserve				553	553	0
Total Expenditure (before Parish Precepts)				15,069	14,844	-225
Parish Council Precepts & Council Tax Support				761	761	0
Total Expenditure				15,830	15,605	-225

Housing Revenue Account (HRA)

Revenue Budget Monitoring 2018/19 April 2018 to September 2018

Appendix 2

Key:

+ = over spend / income shortfall

- = under spend / additional income

Description	Profiled Budget to Qtr 2 £'000	Actual Spend to Qtr 2 £'000	Variance to Profile Qtr 2 £'000	Current Budget £'000	Projection to Year-End £'000	Variance to Year-End £'000
Income						
Rent income from dwellings	-7,576	-7,520	+56	-15,808	-15,725	83
Rent income from land and buildings	-71	-68	+3	-150	-144	6
Charges for services	-616	-599	+17	-1,286	-1,260	26
Contributions towards expenditure	-64	-53	+11	-215	-198	17
Total Income	-8,327	-8,240	+87	-17,459	-17,327	+132
Expenditure						
Transfer to Housing Repairs account	0	0	0	3,676	3,676	0
Supervision and Management	3,809	3,692	-117	5,648	5,687	39
Rents, Rates, Taxes and other charges	3	49	46	3	72	69
Depreciation & Impairment	0	0	0	2,287	2,287	0
Debt Management Cost	0	0	0	15	15	0
Provision for Bad or Doubtful Debt	0	0	0	193	193	0
Amounts set aside for the repayment of debt	0	0	0	5,839	5,839	0
Total Expenditure	3,812	3,741	-71	17,661	17,769	108
Net Cost of Services	-4,515	-4,499	16	202	442	240
HRA Share of Corporate & Democratic Core Costs	0	0	0	214	214	0
Interest Payable & Similar Charges	0	0	0	1,171	1,293	122
Interest & Investment Income	0	0	0	-112	-315	-203
Net Operating Expenditure	-4,515	-4,499	16	1,475	1,634	159
Contributions to (+) / from (-) Reserves	0	0	0	56	56	0
Surplus(-)/Deficit(+) for year	-4,515	-4,499	16	1,531	1,690	159

Capital Budget Monitoring 2018/19
April 2018 to September 2018

Appendix 3

Key:

+ = over spend / income shortfall

- = under spend / additional income

Portfolio	Profiled Budget to Qtr 2 £'000	Actual Spend to Qtr 2 £'000	Variance to Profile to Qtr 2 £'000	Current Budget £'000	Projection to Year-End £'000	Variance to Year-End £'000
Growth & Investment	0	0	0	0	0	0
Corporate Resources	25	22	-3	883	898	+15
Environment & Public Realm	232	306	+74	3,640	3,764	+124
Communities & Homes	842	897	+55	1,357	1,251	-106
Sub Total General Fund	1,099	1,225	+126	5,880	5,913	+33
Housing Revenue Account	2,913	2,903	-10	15,203	14,232	-971
Overall Total	4,012	4,128	+116	21,083	20,145	-938



RPMS

Performance Appendix

Generated on: 19 November 2018

Service Area Communities & Homes

Performance Indicator	Department	Current Value	Short Trend
Number of homeless preventions and reliefs made by Rugby Borough Council	Community Advice and Support Team	91	Improving

Latest Note

There has been an increased workload in this area following implementation of the Homelessness Reduction Act.

Performance Indicator	Department	Current Value	Short Trend
Benefits - average end to end time for claims (days)	Community Advice and Support Team	25.57	Improving

Latest Note

This data combines the processing times for housing benefit and the Council Tax reduction scheme. Benefits claims are being processed faster in the first two quarters by an average of 21 days. In 2016 Rugby became a full-service site for Universal Credit (UC) which resulted in a substantial increase in information being received from the DWP (around 70,000 additional notifications) of which only a small percentage had to be processed but all had to be looked at). Towards the end of 2017/18 the service was able to introduce some automation, which has assisted with improving processing times.

Performance Indicator	Department	Current Value	Short Trend
Percentage of employees at Rugby Borough Council identifying as Disabled	Equality & Diversity	32.80%	No Change

Latest Note

Service Area Corporate Resources

Performance Indicator	Department	Current Value	Short Trend
Number of working days lost due to long term sickness absence	Human Resources	471	Improving

Latest Note

26% of long term absence over the last year has been due to mental health. Mental health first aiders are being introduced and training is scheduled to take place in December. The Council has also put a contract in place with a physio; officers who are suffering with muscular-skeletal illnesses are being referred to the physio to facilitate an earlier recovery and return to work.

Performance Indicator	Department	Current Value	Short Trend
Number of working days lost due to short term sickness absence	Human Resources	959	Getting Worse

Latest Note

The result for Quarter 2 is higher than the figure of 825 reported for the same quarter in 2017/18. The Council's Managing Absence policy is currently being reviewed. An internal audit review of absence management is currently taking place.

Performance Indicator	Department	Current Value	Short Trend
Number of staff on long term sickness absence	Human Resources	22	Improving

Latest Note

See comments related to performance indicator Number of working days lost due to long term sickness absence (See Above).

Performance Indicator	Department	Current Value	Short Trend
Number of staff on short term sickness absence	Human Resources	178	Getting Worse

Latest Note

See comments related to performance indicator Number of working days lost due to short term sickness absence.

Performance Indicator	Department	Current Value	Short Trend
Average number of days to inspect void property	Property Repairs Services	4	Getting Worse

Latest Note

The reported figure relates to the month of September. The Council aims to gain access to void property for inspection purposes as soon as possible once it receives notification from the tenant. Usually the inspections are carried out within 1 or 2 days. There were inspection delays for two properties in September which caused a short-term increase in this performance measure.

Performance Indicator	Department	Current Value	Short Trend
Average number of days to repair void property	Property Repairs Services	19	Improving

Latest Note

The reported figure relates to the month of September. The number of void properties requiring major works, such as rewiring or kitchen and bathroom replacements, was lower during September and, in reflection of this, the average number of days to complete void repairs was lower compared with previous months.

Performance Indicator	Department	Current Value	Short Trend
Average void rent loss	Property Repairs Services	£791.69	Improving

Latest Note

The reported figure relates to the month of September. The average void rent loss has fluctuated between £395 and £1,490 during 2018. In September the average void rent loss fell from £1,489 to £783; this was due to quicker allocation of properties and quicker repairs, as referred to above.

Performance Indicator	Department	Current Value	Short Trend
% of Council Tax collected (cumulative over 10 months per year)	Revenues Services	59.90%	Improving

Latest Note

This indicator is cumulative during the year. 59.9% of Council Tax due for the year had been collected by the end of September, indicating that at this stage of the year the Council is on track to at least match last year's performance.

Performance Indicator	Department	Current Value	Short Trend
Percentage of Non-domestic Rates collected (cumulative over 10 months per year)	Revenues Services	58%	Improving

Latest Note

This indicator is cumulative during the year. 58% of the NDR due for the year had been collected by the end of September. This is slightly below the collection rate for Council Tax because there was a late rate assessment of £0.5million on one large business premises communicated to the Council in July. This increased the value of NDR due for collection but because the business referred to above started paying its NDR bill later in the year, the overall collection rate is slightly lower in the short term. It is expected that by the year end the collection rate will be in line with last year.

Service Area Environment & Public Realm

Performance Indicator	Department	Current Value	Short Trend
% of premises within the Rugby Borough that have attained the Food Hygiene Rating 5	Commercial Regulation	70.2%	Getting Worse

Latest Note

There are currently 70.2% of food premises rated 5. The figure in Q1 2018/19 was 70.6% so there is a slight decrease.

The slight decrease of the value are within normal fluctuation as we do around 400 inspections per year and small fluctuations are to be expected. It would only take one or two under performing premises to cause these fluctuations.

Performance Indicator	Department	Current Value	Short Trend
% of premises within the Rugby Borough that have attained the Food Hygiene Rating 4 and above	Commercial Regulation	83.9%	Getting Worse

Latest Note

There are currently 83.9% of food premises rated 4 or above. The figure in Q4 2017/18 was 84.4% so there was a slight decrease

The slight decreases of the are within normal fluctuation as we do around 400 inspections per year and small fluctuations are to be expected. It would only take one or two under performing premises to cause these fluctuations.

Performance Indicator	Department	Current Value	Short Trend
% of premises within the Rugby Borough that have attained the Food Hygiene Rating 3 and above	Commercial Regulation	91.4%	Getting Worse

Latest Note

There are currently 91.4% pf food premises rated 3 or above. The figure in Q2 2018/19 was 91.6% so there is a slight decrease.

The slight decrease of the PI is within normal fluctuation as we do around 400 inspections per year and small fluctuations are to be expected. It would only take one or two under performing premises to cause these fluctuations.

Performance Indicator	Department	Current Value	Short Trend
Quality rating of Parks and the Grounds	Parks and Open Spaces	2.51	Getting Worse

Latest Note

The rating ebbs and flows during the year. The slight dip at the end of September was as a result of stormy weather conditions in the second half of the month which temporarily increased the amount of debris in the parks and grounds. There is proven success in this area, with Rugby in Bloom winning a Gold award and several Green Flags awarded within local Parks.

Performance Indicator	Department	Current Value	Short Trend
Cumulative Tonnage of household waste sent for reuse, recycling and composting	Refuse & Recycling	11324	Not measured via trend

Latest Note

The figures for this indicator are reported quarterly in arrears, which means the data covers the period April to June 2018. The equivalent tonnage for the same quarter in 2017/18 was 7,309 tonnes. There are two factors considered to be behind the increase; firstly, there was a warm Spring in 2018 resulting in an increased garden waste tonnage. Secondly, the number of households within the Borough continues to grow and this is leading to a higher tonnage of waste.

Performance Indicator	Department	Current Value	Short Trend
Percentage of household waste sent for reuse, recycling and composting	Refuse & Recycling	55.2%	Not measured via trend

Latest Note

Performance is in line with the same quarters in previous years. The percentage of waste sent for reuse, recycling and composting is usually higher in the Summer months and lower during the winter.

Service Area Growth & Investment

Performance Indicator	Department	Current Value	Short Trend
Average end to end time for Land Charge Searches	Development & Enforcement	3.37	Improving

Latest Note

Performance for this measure fluctuates according to the volume of incoming work, as the level of resources is relatively fixed. Higher volumes of incoming work increase the processing time and vice versa. Furthermore, the time taken depends on the complexity of each case – which in turn is generally linked to the age of the property. Cases which involve older properties take longer to process because there is more information to review - and vice versa. In addition to the above, a vacancy has just been filled in the team, which has helped to reduce the processing time.

Performance Indicator	Department	Current Value	Short Trend
Total number of young people contacts - Borough wide ages 5-19	Sport & Recreation	27,547	Not measured via trend

Latest Note

Owing to the additional funding in place to grow the Play and On Track services, there has been an increase in activity. The On-Track service is running two additional youth clubs at Brownsover and Hillmorton, and the Play service is running an additional youth club at Dunchurch.

Performance Indicator	Department	Current Value	Short Trend
Leisure Centre Visits	Sport & Recreation	53,427	Improving

Latest Note

The number of leisure centre visits during the second quarter was 7% lower than the same period last year. It is considered that the warmer summer weather this year may have been a factor, resulting in less indoor activity. The number of monthly visits fluctuates between around 40k and 65k, with January and February usually being the busiest months.

Performance Indicator	Department	Current Value	Short Trend
Total grants income from external funding	Sport & Recreation	£157,010.00	Baseline Data

Latest Note

The service has overachieved its expected growth in income, with additional funding awards from Sport England and Orbit. The extra funding has supported the growth in the Play & On Track services.

AGENDA MANAGEMENT SHEET

Report Title: Local Government Finance Act 1992 - Council Tax on Empty Properties

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: All

Prior Consultation: The National Landlords Association (Rugby Representative)

Contact Officer: Chryssa Burdett 01788 533495

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:

Local Government Finance Act 2012, The Council Tax (Prescribed Classes of Dwelling) (England) Amendment Regulations 2012 and Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

Summary:

This report gives the options and makes a recommendation to remove the discount period given on empty properties. Also to increase the premium of properties that have been empty for more than 2 years.

Financial Implications:

Removing the discount period given on empty properties from the current 6 months could potentially increase overall council tax income by a maximum of £664,290 per annum, of which The Council's share would be approximately £66,400. Actual income will be reduced by any collection losses

Risk Management Implications:

Removal of the discount given to owners of empty properties within the borough is likely to make collection of council tax due on these properties more difficult than it is currently, but the benefits of the additional income outweigh this risk

Environmental Implications:

There are no environmental implications arising from this report

Legal Implications:

There are no legal implications arising from this report

Equality and Diversity:

A EIA has been carried out

Options:

1. Keep the discount periods as current for all empty properties - The reason for reducing the discount originally was to encourage bringing empty properties back into use. Owners are less likely to

either rent out or sell their property when the period is for 6 months.

2. Remove the discount entirely for empty properties - this increase in charge is more likely to encourage owners to bring their properties back into use.
3. Reduce the discount period to less than 6 months.
4. Increase the premium for properties in line with new legislation

Recommendation:

IT BE RECOMMENDED TO COUNCIL THAT -

1. the discount period be removed;
2. the premium amount be increased and increased in line with legislation for subsequent years; and
3. the updated Appeals Procedure at Appendix 1 to the report be continued.

Reasons for Recommendation:

The Council should be encouraging owners of empty homes to bring them back into use and to better reflect the costs of providing services to those properties.

Cabinet - 3 December 2018

Local Government Finance Act 1992 - Council Tax on Empty Properties

Public Report of the Head of Corporate Resources and CFO

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT -

1. the discount period be removed;
2. the premium amount be increased and increased in line with legislation for subsequent years; and
3. the updated Appeals Procedure at Appendix 1 to the report be continued.

1.1 INTRODUCTION

The Local Government Finance Act 2012 gives local authorities powers in relation to empty property charges for Council Tax. The powers come into force on 1 April 2013 and allow the discount available to empty properties to be reduced. Since April 2013, local authorities have had the discretion to charge between 50% and 100% council tax on properties which are unoccupied and substantially unfurnished, and are able to charge a premium of up to 50% on properties which have been unoccupied and substantially unfurnished for two years or more. The period, criteria and principles can be determined by each local authority.

Starting from 1 April 2013, Rugby Borough Council made a decision to charge 100% council tax on properties that had been unoccupied and substantially unfurnished for more than 6 months and charge 0% on those that had been unoccupied and substantially unfurnished for less than 6 months. At this time, the decision was also taken to charge a premium of 50% after 2 years.

The council tax system provides specific statutory exemptions for properties left empty for a specific purpose and council tax is not levied on such properties. The list of exemptions are:

- Owned by charity or Housing Association
- Owner/tenant is in prison
- Owner is in residential care
- Owner is deceased or within 6 months of probate being granted
- occupation is prohibited by law
- Property is held for minister of religion
- Owner is receiving personal care elsewhere
- Owner is providing care elsewhere

- Property has been left empty by a student
- Property has been repossessed
- Owner is bankrupt
- An empty pitch or mooring
- Premises is an unoccupied annexe

Rugby Borough Council gives no discount for a furnished property that is not used as someone's main home.

The legislation currently allows for the time periods to be determined on unoccupied and substantially unfurnished properties. Rugby Borough Council can therefore decide to only grant a 100% discount on properties for a lesser period than 6 months.

Since 2013, Rugby Borough Council has also charged a 50% premium on properties that have been empty for more than 2 years. From 1st April 2019 onwards, new legislation allows for this to be increased further. Specifically, the amendment allows Local Authorities to charge premiums of:

- Up to 100% for homes empty between 2 and 5 years from 1st April 2019
- Up to 200% for homes empty between 5 and 10 years from 1st April 2020
- Up to 300% for homes empty for 10 years or more from 1st April 2021

The object of all of these changes was to ensure that owners of properties were encouraged to bring them back into use, by either selling or renting them out. The Council wants to make more properties available to the general housing stock to help alleviate some of the housing problems being faced both locally and nationally. Rugby Borough Council does allow owners of some empty property to either sell or lease their property to the Council.

1.2 OPTIONS AND FINANCIAL IMPLICATIONS

1.2.1 **Empty Properties** - During 2017/18 there were 3871 properties that received a 100% discount for being empty for a period of up to 6 months. One of the main reasons that Rugby Borough Council chooses to charge on empty properties is to encourage owners to bring them back into use. Rugby Borough Council can receive an income from empty properties to provide services to both empty and unoccupied properties. The breakdown of these properties financially is:

Up to 1 month £92,204
 Up to 2 months £101,889
 Up to 3 months £83,074
 Up to 4 months £64,914
 Up to 5 months £56,430
 Up to 6 months £142,933
 The total amount is £541,444

The reasons for properties being empty for up to 6 months are many but will include:

- i) An owner is selling a property and moves out prior to the sale
- ii) A new owner purchases a property but does not move in immediately
- iii) A property is empty between tenants

If Rugby Borough Council chooses to remove the discount for empty properties as soon as it becomes empty the above amounts will be charged to the owners or leaseholders.

- 1.2.2 **Uninhabitable Properties** - During 2017/18, 104 properties received discount of 100% for their property falling within an uninhabitable class. This is currently given for up to a 12 month period. The amount of discount given was £83,463.

If Rugby Borough Council chooses to remove the discount for uninhabitable properties as soon as it becomes empty the above amount will be charged to the owners or leaseholders.

- 1.2.3 **Premiums** - During 2017/18, there was an additional amount of £39,384 raised from 81 properties as a premium to their empty levy. This is in addition to the 100% charge they have to pay for the property being empty. From 1st April 2019, new legislation allows for this to be increased further as detailed above.

If Rugby Borough Council chooses to increase the premium in line with the new legislation, the above amount will be doubled to the owners or leaseholders and increased further in subsequent years..

- 1.2.4 For consideration is:

- i) Rugby Borough Council will have to pay on their own housing stock for any that are empty between lets.
- ii) Revenues will need to carry out more checks on empty properties
- iii) Revenues will potentially be in dispute with landlords and tenants as to when properties become empty
- iv) This discount will also be removed for uninhabitable properties.

- 1.2.5 Warwickshire neighbouring Authorities have already taken the decision to reduce the discount. Below is a list of what discount is given:

Warwick District Council	No discount to empty properties
North Warwickshire Borough Council	No discount to empty properties
Nuneaton & Bedworth Borough Council	14 days discount to empty properties
Stratford District Council	3 months discount to empty properties

Many neighbouring authorities such as Coventry City Council and Daventry District Council also give no discount to empty properties.

- 1.2.6. The National Landlords Association (Rugby Representative) was asked for feedback on any change and his response was then that was most generous as in his opinion and experience, 90% of councils he deals with charge from day one.
- 1.2.7 This gives total potential additional receipts for all of the major precepting authorities (Warwickshire County Council and Warwickshire Police Authority) of approximately £597,890, as well as Rugby Borough Council receiving approximately £66,400.

1.3. REVIEW OF THE CHARGES

As with any discretionary power, there has to be an appeals process. Attached at Appendix 1 is an appeals process that could be continued in cases where the owner of a property believes they should still be entitled to a discount or not having to pay the premium.

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Council Tax
Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Local Government Finance Act 2012

Discretionary Power for Reduction of Discount

1. Introduction

The Local Government Finance Act 2012 gave local authorities new powers in relation to Council Tax, in particular to reduce the discount available to long term empty properties (empty more than 6 months) and second homes and charge a premium on properties left empty for more than 2 years.

This authority resolved at its meeting on 4 February 2013 to reduce the discount available to the above properties to 0%, and charge a premium of 50% on long term empty properties that had been empty for more than 2 years.

2. Procedure

Under the Local Government Finance Act 1992 billing authorities have the power to reduce the Council Tax on any chargeable dwelling. The power to grant this has been delegated to the Head of Resources. The Head of Resources has delegated the consideration of the decision to the Revenues Manager.

All applications must be in writing and must state the reasons as to why the Council should use its discretionary powers.

3. Criteria

Each case will be considered on its merits and the following criteria will be used.

- There must be evidence of hardship or personal circumstances to justify a reduction.
- The Council must be satisfied that the applicant has taken reasonable steps to resolve the situation prior to application. Examples being details of steps taken to sell the property.
- Consideration is given to the Council buying or leasing the property.
- The property cannot be let due to planning restrictions.
- It must not be the sole or main residence of the applicant.

- The applicant is not entitled to Council Tax benefit.
- All other eligible discounts/reliefs have been considered.

4. Review of Decision

There is no formal right of appeal against the Councils' decision. However the Council will accept an applicant's request for a re-determination provided this is received within 14 days of notification of the original decision.

This re-determination of the decision will be carried out by the Head of Resources.

The Head of Resources will consider the representations and reply to the applicant within 14 days.

There is no further right of appeal apart from judicial review.

AGENDA MANAGEMENT SHEET

Report Title: Housing Acquisition Fund

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Corporate Resources and CFO

Portfolio: Communities and Homes

Ward Relevance: ALL

Prior Consultation: Housing Revenue Account (HRA) and General Fund Housing Acquisitions and Disposals Policy and Approval Process (Cabinet Nov 2017)

Contact Officer: Mannie Ketley, Head of Corporate Resources and Chief Financial Officer 01788 533416
Raj Chand, Head of Communities and Homes 01788 533737

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

- Enhance our local, open spaces to make them places where people want to be (EPR)
- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:

Sec 188 (1) Part 7 Housing Act 1996:
 If a local housing authority has reason to believe that an applicant may be homeless, eligible for assistance and have a priority need, it is under an absolute duty to secure accommodation for that applicant, and members of his or her household, pending its decision as to whether it owes a duty to the applicant; and

Sec 193 (2) Part 7 Housing Act 1996:
 If the authority is satisfied that an applicant is homeless, eligible for assistance and in priority need, and that he did not become homeless intentionally, they shall secure that accommodation is available for his occupation (The main housing duty)

Summary:

To meet forecast demand from homelessness and unmet housing need and to mitigate pressure on General Fund revenue budgets it is proposed that a Housing Acquisition Fund be established. The aim of the fund will be the building or acquisition of properties that meet the service specification for temporary and other accommodation over a two-year period. Utilising Right to Buy (RTB) receipts and current low interest borrowing charges the scheme will alleviate a potential £500,000 revenue pressure from Bed & Breakfast and other temporary accommodation costs arising in 2019/20 and 2020/21.

Financial Implications:

As detailed within the report and appendices.

Risk Management Implications:

There are no risk management implications arising from this report.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: There are no equality and diversity implications arising from this report.

Options: Option 1: Approve the creation of the Housing Acquisitions Fund to be administered under the guidance set out within Housing Revenue Account (HRA) and Housing General Fund Asset Acquisition and Disposal Policy and accompanying Approval Process

Option 2: Do not approve the creation of the Housing Acquisitions Fund to be administered under the guidance set out within Housing Revenue Account (HRA) and Housing General Fund Asset Acquisition and Disposal Policy and accompanying Approval Process

Recommendation:

RECOMMENDATION

1. The creation of a Housing Acquisition Fund be approved;
2. the Head of Corporate Resources and Chief Financial Officer be given delegated authority to approve acquisitions and new build projects via the Housing Acquisitions Fund in accordance with the Housing Revenue Account (HRA) and General Fund Housing Acquisitions and Disposals Policy and Approval Process (Appendix A);
3. the Head of Corporate Resources and Chief Financial Officer be given delegated authority to appoint a fixed term project team to oversee new build projects as detailed in the report; and
4. IT BE RECOMMENDED TO COUNCIL THAT a supplementary General Fund capital budget of £12,900,000 for the Housing Acquisition Fund be approved for 2019/20 to be met from RTB receipts / Homes England grant and borrowing.

Reasons for Recommendation: Approval of the Housing Acquisition Fund will:

- Assist in mitigating the current and forecast demands arising from homelessness and unmet housing need;
- Alleviate the impact upon General Fund revenue resources over the period of the Medium Term Financial Plan (MTFP);
and
- Expedite expenditure of RTB receipts which if left unspent, would have to be refunded to HM Treasury.

Cabinet - 3 December 2018

Housing Acquisition Fund

Public Report of the Head of Corporate Resources and CFO

RECOMMENDATION

1. The creation of a Housing Acquisition Fund be approved;
2. the Head of Corporate Resources and Chief Financial Officer be given delegated authority to approve acquisitions and new build projects via the Housing Acquisitions Fund in accordance with the Housing Revenue Account (HRA) and General Fund Housing Acquisitions and Disposals Policy and Approval Process (Appendix A);
3. the Head of Corporate Resources and Chief Financial Officer be given delegated authority to appoint a fixed term project team to oversee new build projects as detailed in the report; and
4. IT BE RECOMMENDED TO COUNCIL THAT a supplementary General Fund capital budget of £12,900,000 for the Housing Acquisition Fund be approved for 2019/20 to be met from RTB receipts / Homes England grant and borrowing.

1. INTRODUCTION

National and local pressures mean that demand for homelessness services remains high. The following table demonstrates the change in average homeless applications received by the Council per quarter since 2013/14:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 up to November 2018
Average homeless applications per quarter	49	76	85	97	98	152

Table 1 – Summary of changes in average homeless applications

The Homelessness Reduction Act 2017 came into force on 3 April 2018 and has presented additional challenges in an already busy environment. Many more individuals have been brought into the sphere of homelessness legislation and from a much earlier stage. This has meant that temporary accommodation must be made available for a longer period, when compared with previous legislative requirements. This reduces the availability of housing resources, with the consequence that a greater supply of temporary accommodation is required. Over the past 18 months the number of properties occupied and the number of placements in those properties is as follows:

Stock Type	Number of units	Number of placements
HRA (inc. designated temporary accommodation at Featherbed Lane)	115	167
Private Sector Leasing – Shared Accommodation	20	30
Private Sector Leasing – Houses in Multiple Occupation (HMOs)	35	102

Table 2 – Summary of number of properties occupied as temporary accommodation alongside number of placements

Excluding HMOs therefore, units of temporary accommodation have had only 1.5 placements on average during the period, meaning that many applicants have not moved to long-term sustainable accommodation for 12 months or more.

Locally, demand for social housing far outstrips supply meaning that waiting times for rehousing are extended. The private rental sector in Rugby is buoyant, which has resulted in two challenges for the homelessness service. The first is that those on low incomes cannot access the market because they are unable to afford the rent increases being imposed on them. The second is that it is very difficult to facilitate access back into the private rental sector when looking for alternatives to using social housing. These factors compound the issue of high numbers of applicants requiring interim accommodation. The following table compares private sector rental availability, rent levels, and Local Housing Allowance (LHA) - (the cap at which the Council can recoup costs via Housing Benefit / Universal Credit) as at 18th September 2018:

Property type	No. available	Average rent per calendar month pcm	Local Housing Allowance (LHA) pcm	Local Housing Allowance (LHA) – under 35s pcm
1 bed	34	571	410	277
2 bed	33	730	530	-
3 bed	18	948	598	-
4 bed	10	1,174	816	-
5 bed	2	1,850	816	-

Table 3 – Comparison of private sector rental availability, rent levels, and Local Housing Allowance (LHA)

The Council has discretion to award Discretionary Housing Payment (DHP) grant to bridge the gap between the LHA and rent levels, but it should be noted that none of the properties advertised above would accept “DSS”.

Fundamentally, the rate of ingress into interim accommodation is far higher than the rate of egress out of it. Mitigating factors to date have included the Private Sector Leasing Scheme (PSLS), but the availability of these properties is limited, and they are becoming increasingly uneconomic at current rent levels.

2. BUDGET FRAMEWORK

The initial draft budget for 2019/20 presented to Cabinet on 8th October 2018 included a net growth pressure of £529,000 in relation to the homelessness service. Underpinning this estimate was the expectation that to meet forecast demand the following would be required:

- Increase in Houses in Multiple Occupation (HIMOs) from 6 to 13 units
- Increase in Self-Contained (Family) Accommodation from 18 to 30 units
- An additional 20 cases requiring Bed & Breakfast provision
- An additional 10 cases requiring Nightly Self-Contained Accommodation

The gross cost of these demand changes relating to property costs (leases, repairs and maintenance, room hire, etc) is £897,910. The associated income from Local Housing Allowance (the cap at which the Council can recoup costs via Housing Benefit / Universal Credit) is £399,440, leaving a net growth requirement of £498,470 at 2019/20 prices:

Property type	No. Required	Gross cost per unit/room per annum £'s	Local Housing Allowance (LHA) per unit/room per annum £'s	Net cost per annum £'s
HIMOs – Private Sector Leasing	7	32,230	-23,920	58,170
Self-Contained Accommodation – Private Sector Leasing	12	12,000	-6,600	64,800
Bed & Breakfast (Room)	20	18,200	-4,780	268,400
Nightly Self-Contained Accommodation	10	16,430	-5,720	107,100
Total				498,470

Table 4 – Comparison of estimated Gross Cost and Local Housing Allowances for Temporary Accommodation Property Types

Reliance upon bed and breakfast and nightly self-contained accommodation places an unsustainable burden upon General Fund revenue balances whilst failing to address the long-term implications of housing need. Although the use of Private Sector Leasing type accommodation is less expensive at unit cost level, rent inflation in this sector is continuing to outstrip that of income levels from Universal Credit/Housing Benefit.

3. CAPITAL INVESTMENT – HOUSING ACQUISITION FUND

To further mitigate against the revenue costs associated with the demand profile in Section 2, officers have examined the potential use of a capital investment fund (the Housing Acquisition Fund) to fulfil service requirements. Rather than lease/rent properties the Council would acquire/build assets in line with service specifications utilising retained Right to Buy (RTB) receipts and/or Homes England grant where available. This would entail the acquisition and/or build of the following indicative properties during a 2-year period:

- 14 HIMOs (minimum 5 -bed)
- 24 Shared Accommodation (minimum 3-bed)

The gross capital cost estimates for the acquisition fund would be £12.900m. The Council can currently utilise RTB receipts for up to 30% of the gross cost, leaving a net financing cost estimate of £9.030m to be met via borrowing:

		£000's
Expenditure:		
HIMOs	5-bed property	4,900
Shared Accommodation	2-3 bed property	6,000
Renovation/Initial Repairs	Estimate £30,000 per property	1,140
Stamp Duty		660
Capital Project Salaries	Project Manager / Project Officer	200
Gross Cost		12,900
Less: Right to Buy Sales Contribution	30% Gross Cost	3,870
Net Cost for Financing		9,030

Table 5 – Indicative Capital Expenditure – Housing Acquisition Fund

It is anticipated that to create a portfolio of this scale would take up to 2 years. A dedicated project team consisting of a Project Manager (Grade H) and Project Officer (Grade D) would:

- Assess current General Fund / HRA surplus assets for potential build schemes within the parameters of the Council's Asset Management Strategy and Housing Revenue Account (HRA) and General Fund Housing Acquisitions and Disposals Policy and Approval Process (Appendix A); and
- Project manage design and build of schemes evolving from the above.

Research and assessment of open market acquisition / development opportunities and liaising with key stakeholders to present viable purchases that meet service specifications will continue to fall within the remit of existing resource.

Upon completion of the portfolio of homes, revenue budget estimates for the capital financing implications, repairs and maintenance costs, and rents, at 2019/20 prices are:

	2019/20 Prices £'s
Expenditure:	
Minimum Revenue Provision (MRP)	66,400
Additional Interest Costs	225,750
Repairs and Maintenance	101,750
Major Repairs Sinking Fund	20,270
Income:	
Local Housing Allowance	-417,670
Net Expenditure	-4,200

Table 6 – Revenue Implication of Housing Acquisitions Fund – Full Year at 2019/20 Prices

Given that private sector leasing, nightly self-contained accommodation, and some bed and breakfast provision will still be required as the portfolio is established it is estimated that the impact of the acquisition fund proposal on the Council's General Fund Medium Term Financial Plan (MTFP) will be a reduction in current growth demand to £280,000 in 2019/20 and £140,000 in 2020/21:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Growth associated with increased demand in PSLS / B & B / Nightly Self-Contained	498	498	498	498
Revenue Implications of Housing Acquisitions Fund	-218	-358	-506	-515
Revised Net Growth/(Saving)	280	140	-8	-17

Table 7 – Revenue Implication of Housing Acquisitions Fund on Current Growth Proposals 2019-2023

4. RISKS

Capacity / resilience – the Property Management Unit is currently project managing a number of significant schemes including the redevelopment of the Biart Place site, potential extensive refurbishment/redevelopment of the Rounds Gardens site, development at the Bell House site, and disposal and/or development of multiple garage sites. Without dedicated, fixed-term additional resource to source, develop and oversee the build/acquisition schemes sought by the fund it is unlikely that a sufficient portfolio can be established within the 2-year time horizon. This would, in turn, reduce the net impact of the scheme across the MTFP potentially requiring additional contributions from balances beyond that already indicated.

Housing market – a number of determinants will influence the speed at which a portfolio can be assembled. These include:

- Land assembly and availability;
- Planning processes;
- Design and build contracting; and
- Open market house/flat availability and conveyancing

Officers will use the framework established with the Housing Revenue Account (HRA) and General Fund Housing Asset Acquisition & Disposal Policy to assess scheme viability and, in particular:

“A proposed acquisition will only be progressed if the (key objectives) criteria are met and the relative financial benefits can be demonstrated. In all circumstances,

progression to business case will only take place following consultation with the Head of Communities and Homes to understand service impact.”

Sensitivity analysis will be used in assessing a business case, particularly in respect of Rent and House Price Inflation.

Exit strategy – in the event that properties are no longer required or underutilised, provision remains to transfer assets between the General Fund and HRA at open market value. Transfers would take place using the established Net Present Value (NPV) assessment techniques currently deployed prior to open market HRA property purchases. Alternately, properties can be disposed for open market sale generating a capital receipt for future investment.

5. CONCLUSION

The creation of a Housing Acquisition Fund will assist in mitigating the current and forecast demands arising from homelessness and unmet housing need. A portfolio sourced within the capital estimates indicated in this report will ensure the impact upon General Fund revenue resources remains neutral over the medium-term.

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Housing Acquisitions Fund
Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Housing Revenue Account (HRA) and General Fund Housing Asset Acquisition & Disposal Policy

1 Introduction

The Housing Revenue Account (HRA) Medium Term Financial Plan 2017/18 – 2020/21 set out a number of objectives, one of which is to invest in the provision of new affordable housing. It is identified that this can be achieved by either direct investment in purpose built new build housing or through strategic acquisition, either on the open market or through buy-back opportunities. The potential for strategic disposal of Housing Revenue Account assets is also identified, where it can assist in the viable delivery and sustainability of the plan.

The HRA Capital Investment Plan 2017/18 – 2019/20 included funding for the strategic acquisition of dwellings. Since the implementation of self-financing in April 2012, changes in the legislation surrounding right to buy sales and the treatment of the associated capital receipts has resulted in the need to consider and update the separate Acquisition & Disposal Policy.

2 Policy Statement

Rugby Borough Council is committed to delivering, increasing, managing and maintaining the supply of quality affordable housing for residents in the town, maximising the delivery of new sustainable housing in a range of sizes, types and tenures.

3 Policy Objectives

The objectives of this Acquisition & Disposal Policy are:

- To increase the supply of additional suitable affordable housing and temporary accommodation owned and managed by the HRA and General Fund, recognising the increasing demand on the housing waiting list, whilst providing opportunity to re-balance the mix of housing owned by the authority;
- To facilitate the acquisition of property / assets that will assist in the delivery of identified and potential new build opportunities;
- To facilitate the disposal of property / assets that are no longer meeting the service or business need and where the receipt could be better utilised elsewhere; and
- To provide a framework to assess the viability and value for money of acquiring or disposing of a specific property asset, delivering the flexibility to be able to act within limited timescales, as opportunities arise.

4 Background

Under the retention agreement introduced retrospectively and entered into by the authority, as part of the new Right to Buy (RTB) legislation from April 2012, the authority has opted to retain a proportion of RTB receipts to replace the dwellings lost through this process.

Under the retention agreement, the authority is required to re-invest the retained receipt within a 3-year time frame, using it to fund a maximum of 30% of either a new build affordable dwelling or the purchase of an existing dwelling which is offered for sale. The authority's preference will be to invest in new build dwellings where possible, as this increases the overall supply of housing in the borough. However, shortage in available land and the tight development time frame mean that the ability to purchase existing dwellings will also need to be actively exercised to ensure an increase in supply of affordable housing within the constraints that exist. This policy seeks to ensure that the authority is able to meet its obligations under the right to buy retention agreement, taking advantage of opportunities as they arise.

Similar to this policy, in respect of the right of first refusal legislation, this policy needs to be supported by criteria under which potential acquisitions or disposals can be assessed quickly, enabling the required decisions to be made to facilitate completion within an appropriate time frame.

Rugby Borough Council is continuing to develop new-build schemes but the availability of land owned by the HRA, and in the borough in general is a consideration. Schemes will continue to be presented for decision on a scheme by scheme basis, confirming the funding proposed for each scheme as it is approved, including any requirement for prudential borrowing.

This policy focuses particularly on the consideration required in respect of strategic acquisitions, buy-backs and disposals, establishing a set of criteria upon which acquisition or disposal decisions can be made. The provision of any new build affordable housing by the HRA or temporary accommodation by the General Fund, will need to be closely aligned with the identified need for housing in the borough, as dictated by the housing waiting list, which is reviewed periodically to ensure it is representative of current need.

The mix of housing provided by the HRA would be expected to reflect the profile of those with a priority need.

It is proposed that any properties acquired on the open market or through buyback are let at either social rent levels, assuming that they are introduced directly at target rent; or, at affordable rents if this is necessary to demonstrate that the acquisition is more financially viable. Affordable rents, or an interim negotiated rent, will continue to apply to new-build properties built with an element of HCA grant funding.

5 Detailed Implementation - Acquisition Criteria

Each potential acquisition or development scheme will be assessed on an individual basis, in line with the criteria set out in this policy considering the financial implications of the acquisition and the relative merits in value for money terms.

A proposed acquisition will only be progressed if the criteria are met and the relative financial benefits can be demonstrated. In all circumstances, progression to business case will only take place following consultation with the Head of Communities and Homes to understand service impact. The key criteria proposed are as follows:

- A property which has had, or is particularly suitable for, significant disabled adaptations which would meet the needs of an identified applicant with disabilities;
- A property which is in disrepair, causing concerns in the locality, and where works undertaken to allow letting would improve not only the dwelling, but also the surrounding area;
- A property in specific demand at any time – i.e.; larger properties (four or more bedrooms) suitable for larger households, one bedroom dwellings suitable for downsizing;
- An existing market unit on one of the new build development sites, where this could increase the balance of affordable housing provision on the site;
- Leasehold flats, where the Council is the freeholder, reducing the risk to the HRA, for example in the identification and subsequent collection of Section 20 charges;
- A property in a specific location that could free up land or access to land, or otherwise facilitate affordable housing development;
- A property where the location lends itself to ease of housing management and maintenance, which could be outside of the borough boundary; and
- Any other property, where for whatever reason, it may be in the Council's interests to repurchase and value for money can be clearly demonstrated.

Property which has had, or is particularly suitable for, significant disabled adaptations

Consideration should be given to the purchase of property which is suitable for conversion, or extension, to create ground floor bathing facilities, level access showers, etc., or which lends itself to the installation of a through floor lift to allow disabled access to the first floor of the property.

Empty property or a property in disrepair, causing concern in the locality

Privately owned dwellings do not always receive the same level of improvement works as those in public ownership. Sometimes this is because the owner (often a former council tenant when the properties are on existing council estates) is not financially able or willing to undertake improvement works. In these instances, it may be viable to make an offer to purchase the property, undertaking the necessary works ourselves, prior to letting the dwelling as an additional social housing unit.

Property in specific or high demand

From time to time, demand exists for a specific size or type of dwelling, for example, to meet the needs of a larger household. Historically the only real option open to the Council was to invest limited resource in converting two adjacent dwellings into one larger unit of

accommodation. This has the negative impact that the rental income receivable on the one larger dwelling is less than could be anticipated from letting the two smaller units separately. Where the need arises, and the opportunity exists, it may be financially viable to purchase an existing larger property on the open market, thus increasing the overall supply of affordable housing, whilst avoiding the conversion costs and loss of rental income.

There has historically been a shortfall in family sized accommodation, and more recently, due to a combination of our existing re-development programme and tenants need to downsize due to the removal of the spare bedroom subsidy as part of the Welfare Benefit Reforms, an emerging shortfall in one bedroom accommodation.

This key criterion would enable the purchase of suitable dwellings on the open market, in areas of high demand and to meet an identified housing need.

Market units on existing and future development sites

Working with our developer partners and other registered providers in delivering housing on both our own development sites, and the strategic growth sites, there may be an option to acquire new build dwellings direct from the developer, purchasing some of the dwellings initially identified as market housing. This would increase the supply of affordable housing delivered on any of these sites, with potential opportunities to acquire both general needs and shared ownership housing.

The authority will need to be mindful that there may be significant service charges attached to the purchase of any flat on the open market or directly from a developer,

Leasehold flats (when offered for sale by the leaseholder)

Rugby Borough Council has approximately 60 leasehold flats, where properties have been sold under the right to buy legislation over the past 30 years.

Under the terms of the lease, leaseholders are required not only to pay annual service charges for services and facilities provided to them, or that they benefit from, but also to make an appropriate contribution for their share of the cost of any major repair / replacement / improvement works to the block in which they reside.

Legislation requires that the authority undertake Section 20 consultation with all leaseholders affected prior to letting contracts or awarding works to a block, adhering to prescriptive time frames and processes. Following the completion of works, the authority invoices and attempts to recover the cost of the works from the leaseholders in the block. An individual household's contribution to major works can be significant, and collection of the monies can prove difficult and costly. Any offer to spread or defer repayments has a negative impact on the cashflow for the Housing Revenue Account.

Where opportunities arise, the authority should consider buying back leasehold flats, therefore increasing the supply of affordable housing whilst also mitigating the impact of non-recovery of Section 20 charges, particularly where the purchase would result in the authority again having direct control over the entire block. Ownership of the entire block would only apply however, until any existing or future tenant exercised their right to buy.

The purchase of land or property that would aid a future development

Over many years, the Council has disposed of small areas of land and property where it was considered that alternative use was not an option. The ability to consider wider-scale re-development schemes as part of Self-Financing prompts consideration of any such requests very differently going forward.

Where the opportunity arises, the authority may consider acquisition of small strips of land, garages or existing dwellings, where ownership of the asset would aid the design of a potential development scheme. This would allow maximisation of development opportunities to deliver the greatest number of additional dwellings.

A property where the location lends itself to ease of management and maintenance

Property in or around existing housing estates may prove efficient to manage and maintain, particularly due to its locality, giving rise to consideration for purchase.

Other acquisition opportunities

From time to time there may be other opportunities to acquire an existing dwelling. In these circumstances a business case will be prepared to demonstrate the financial viability of any proposed acquisition.

6 Detailed Implementation - Disposal Criteria

Each potential disposal will be assessed on an individual basis, in line with the disposal criteria set out in this policy, considering the financial implications of the disposal and the relative merits in value for money terms. These will need to be balanced with the social value of the asset.

A proposed disposal will only be progressed if the criteria are met and the relative financial benefits can be demonstrated. In all circumstances, progression to business case will only take place following consultation with the Head of Communities and Homes to understand service impact. The key criteria proposed are as follows:

- A property / asset where the business case indicates a negative contribution to the business plan, or the use of excessive resources to derive the benefit, with anticipated costs of managing, maintaining and improving to the required standard, expected to outweigh the rental stream realisable, with no clear social benefit to retention;
- A property where the location detracts from ease of housing management and maintenance activity; and
- A property where the build type detracts from ease of housing maintenance.

Property where the business case indicates a negative financial contribution

The need to invest in any dwelling to ensure that it continues to meet the desired standard for letting purposes should be carefully considered against the potential future rental stream for the property. If the investment need, plus the cost of management and maintenance for the property, outweighs the anticipated rental stream over the 30-year life of the business plan, the property should be actively considered for disposal.

Property location

On occasions the location of a particular dwelling makes it difficult to let, manage or maintain. In these instances, consideration should be given to strategic disposal, particularly where the capital receipt anticipated can be demonstrated to deliver greater benefit elsewhere in the future provision of affordable housing. For example, where the receipt can be used to replace the dwelling with another / others in a preferable location

Property build type

The construction type of some of the housing stock is non-traditional. In some cases, this can make routine maintenance and future improvement of the dwelling difficult or impossible, particularly when it comes to energy efficiency works.

In specific circumstances it may be beneficial to the authority to dispose of such property, with a view to replacing the dwelling with another of a traditional construction type.

7 Assessment / Evaluation Criteria

The ability to demonstrate value for money in respect of any acquisition or disposal is key, with the following tools identified to support the Council's ability to effectively demonstrate this:

- Financial appraisal will be carried out using Net Present Value (NPV) modelling, ensuring that the financial impact of the proposed acquisition or disposal is clearly demonstrated.
- An independent property valuation will be sought, using recent market place comparables to ensure validity.
- Appropriate surveys will be conducted, and could include condition, full structural, dilapidations, ground condition and asbestos surveys. These surveys should result in an estimate of the potential initial and future investment need for a property, whether it be to support the proposal to dispose of a dwelling or for inclusion in the business case for a purchase, to ensure that the rental stream for a property can support the required investment to render the property lettable.
- Where an acquisition is to facilitate future development, an assessment of the anticipated gain as a result of the purchase will need to be made. This may be best demonstrated by the additional numbers of units that could be delivered on the site as a direct result of the purchase.

8 Review of the HRA and General Fund Housing Asset Acquisition & Disposal Policy

Officers will review the HRA Asset Acquisition & Disposal Policy every 3 years, as a minimum.

Policy Date November 2017

Review Date November 2020

AGENDA MANAGEMENT SHEET

Report Title: Calendar of Meetings 2019/20

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Executive Director

Portfolio: Corporate Resources

Ward Relevance: All wards

Prior Consultation: Senior Management Team and other council officers involved in meetings

Contact Officer: Veronika Beckova, Democratic Services Officer, Te: 01788 533591

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but should be considered by Cabinet for the following reasons: Cabinet is required, under the council's constitution, to fix the dates and times of Council, Cabinet and committee meetings.

Statutory/Policy Background:	None
Summary:	Cabinet is required, under the council's constitution, to fix the dates and times of Council, Cabinet and committee meetings.
Financial Implications:	There are no financial implications arising from this report.
Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environmental implications arising from this report.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	No new or existing policy or procedure has been recommended.
Options:	The Calendar of Meetings for 2019/20 be approved. Risks: Breach of council's constitution. No democratic process without a calendar of meetings. Benefits: Compliance with the council's constitution
Recommendation:	The Calendar of Meetings for 2019/20, as at Appendix 1 to the report, be approved.
Reasons for Recommendation:	In order to comply with the council's constitution.

Cabinet - 3 December 2018

Calendar of Meetings 2019/20

Public Report of the Executive Director

Recommendation

The Calendar of Meetings for 2019/20, as at Appendix 1 to the report, be approved.

The Calendar of Meetings for 2019/20, set out in Appendix 1, is submitted to Cabinet for approval.

The timetable takes into account the following:

- a) the requirement for five cycles of meetings per year;
- b) the requirement for five ordinary meetings of Council;
- c) the requirement for one meeting of Audit and Ethics Committee to be held in July 2019 to consider the approval of the Statement of Accounts including the Annual Governance Statement;
- d) the requirement for one special meeting of Council to be held in February 2020 to consider the budget setting;
- e) the requirement of Planning Committee to meet on a four-week cycle throughout the year; and
- f) the requirement for the annual meeting of Council to avoid the annual meeting of Warwickshire County Council.

Appeals Committee meets on an ad hoc basis.

Every effort has been made to avoid scheduling meetings during the dates of the political parties' conferences in 2019. However, due to the volume of meetings to be incorporated in the calendar, it has not been possible to avoid these dates entirely.

Meetings of Cabinet and Council have been scheduled to avoid school holidays for Warwickshire.

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Calendar of Meetings 2019/20
Originating Department: Executive Director

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Calendar of Meetings 2019/20

Mon	May	20	Aug	5	Oct	21	Jan	6	Cabinet	Mar	23
Tue		21		6		22		7	Audit and Ethics		24
Wed		22		7		23		8	Planning		25
Thu		23		8		24		9	Brooke OSC		26
Mon		27		12		28		13	Bank Holiday		30
Tue		28		13		29		14			31
Wed		29		14		30		15	Planning	Apr	1
Thu		30		15		31		16			2
Mon	June	3		19	Nov	4		20	Cabinet		6
Tue		4		20		5		21			7
Wed		5		21		6		22	Planning		8
Thu		6		22		7		23	Audit and Ethics		9
Mon		10		26		11		27	Bank Holiday		13
Tue		11		27		12		28	Joint OSC		14
Wed		12		28		13		29	Audit and Ethics		15
Thu		13		29		14		30	<i>Council</i>		16
Mon		17	Sep	2		18		3	Joint OSC	Feb	3
Tue		18		3		19		4	Cabinet		4
Wed		19		4		20		5	<i>Special Council</i>		5
Thu		20		5		21		6	Planning		6
Mon		24		9		25		10	Brooke OSC		23
Tue		25		10		26		11	Cabinet		27
Wed		26		11		27		12	Licensing		28
Thu		27		12		28		13	Planning		29
Mon	July	1	LD	16	Dec	2		17	Brooke OSC		30
Tue		2	LD	17		3		18			
Wed		3		18		4		19			
Thu		4		19		5		20			
Mon		8	L	23		9		24	Whittle OSC		20
Tue		9	L	24		10		25	Whittle OSC		24
Wed		10	L	25		11		26	<i>Council</i>		25
Thu		11		26		12		27	<i>Council</i>		26
Mon		15	C	30		16		2		Mar	2
Tue		16	C			17		3	Whittle OSC		3
Wed		17	Oct	1		18		4	Planning		4
Thu		18	C	2		19		5	<i>Council</i>		5
Mon		22		7		23		9	Whittle OSC		9
Tue		23		8		24		10	Cabinet		10
Wed		24		9		25		11	Planning		11
Thu		25		10		26		12	Christmas Day		11
Mon		29		14		30		16	Boxing Day		12
Tue		30		15		31		17			16
Wed		31		16				18	Audit and Ethics		17
Thu	Aug	1		17	Jan	1		18	New Year's Day		18
						2		19	Brooke OSC		19

NOTE:

Meetings of the Council commence at 7pm.

Meetings of Cabinet and Committees commence at 6pm.

Audit and Ethics Committee on 30 July 2019 – Approval of Accounts

OSC – Overview and Scrutiny Committee

Joint OSC on 18 November 2019 – Q&A with Portfolio Holders

Joint OSC on 27 January 2020 – Q&A with the Leader of the Council and Executive Director

C = Conservative Party Conference:

29/09/2019 – 02/10/2019

L = Labour Party Conference:

22/09/2019 – 25/09/2019

LD = Liberal Democrat Party Conference:

14/09/2019 – 17/09/2019

Borough and Police and Crime Commissioner Elections – 7 May 2020

Annual Meeting – 21 May 2020

AGENDA MANAGEMENT SHEET

Report Title: Draft Housing Revenue Account Capital & Revenue Budgets 2019/20 and Medium Term Financial Plan 2019-23

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Corporate Resources and CFO

Portfolio: Communities and Homes

Ward Relevance: ALL

Prior Consultation:

Contact Officer: Mannie Ketley, Head of Corporate Resources and Chief Financial Officer 01788 533416
Raj Chand, Head of Communities and Homes 01788 533737

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

- Enhance our local, open spaces to make them places where people want to be (EPR)
- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background: The Council has a statutory duty to set an annual Housing Revenue Account (HRA) revenue budget that will enable it to determine the level of council house rents.

Summary: The primary purpose of this report is to present a summary draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2019/20 based on initial budget submissions, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C).

Financial Implications: As detailed within the report and appendices.

Risk Management Implications: There are no risk management implications arising from this report.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: There are no legal implications arising from this report.

Equality and Diversity: There are no equality and diversity implications arising from this report. A full Equality Impact Assessment will be presented with the final budget report at Council on 5th February 2019.

Options: Not applicable

Recommendation:

1. The draft revenue and capital budgets at Appendices A and B for 2019/20 be noted;
2. The responses to the consultation documents listed below be noted:

- Green Paper: A New Deal for Social Housing (Appendix D)
 - the Use of Right to Buy Receipts (Appendix E)
 - Rents for Social Housing (Appendix F);
- and

3. IT BE RECOMMENDED TO COUNCIL THAT a reallocation of the 2018/19 budgeted HRA voluntary debt repayment of £5,839,040 to HRA balances be approved to ensure that the Council has earmarked balances to commence potential demolition and rebuild costs at Biart Place (notwithstanding central Government financial support)

Reasons for Recommendation: To give Cabinet an initial view of the Housing Revenue Account revenue and capital budgets for 2019/20 onwards and to ensure that the Council has earmarked balances to commence potential demolition and rebuild costs at Biart Place (notwithstanding central Government financial support.)

Cabinet - 3 December 2018

**Draft Housing Revenue Account Capital & Revenue Budgets
2019/20 and Medium Term Financial Plan 2019-23**

Public Report of the Head of Corporate Resources and CFO

RECOMMENDATION

1. The draft revenue and capital budgets at Appendices A and B for 2019/20 be noted;
2. The responses to the consultation documents listed below be noted:
 - Green Paper: A New Deal for Social Housing (Appendix D)
 - the Use of Right to Buy Receipts (Appendix E)
 - Rents for Social Housing (Appendix F); and
3. IT BE RECOMMENDED TO COUNCIL THAT a reallocation of the 2018/19 budgeted HRA voluntary debt repayment of £5,839,040 to HRA balances be approved to ensure that the Council has earmarked balances to commence potential demolition and rebuild costs at Biart Place (notwithstanding central Government financial support)

1. INTRODUCTION

The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act ensures that the HRA does not fall into a deficit position.

In accordance with the constitution, the Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change.

The Council has a retained housing stock of nearly 3,800 homes and manages an additional 60 leasehold properties with an annual rent roll in excess of £16m.

The primary purpose of this report is to present a summary draft HRA revenue position (see Appendix A) and a capital position (see Appendix B) for 2019/20 based on initial budget submissions, plus a HRA Medium Term Financial Plan (MTFP) (see Appendix C).

Cabinet will consider a further detailed update on the draft revenue and capital HRA budgets in January 2019 prior to final budget and rent setting at Full Council on 5th February 2019.

2. BUDGET AND POLICY FRAMEWORK

Green Paper: A New Deal for Social Housing

The Ministry of Housing, Communities and Local Government (MHCLG) released *A New Deal For Social Housing* to Parliament in August 2018. The consultation paper can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733605/A_new_deal_for_social_housing_web_accessible.pdf

The Green Paper lists five principles which will underpin ‘a new, fairer deal for social housing residents’:

- a safe and decent home which is fundamental to a sense of security and our ability to get on in life;
- improving and speeding up how complaints are resolved;
- empowering residents and ensuring their voices are heard so that landlords are held to account;
- tackling stigma and celebrating thriving communities, challenging the stereotypes that exist about residents and their communities; and
- building the social homes that we need and ensuring that those homes can act as a springboard to home ownership

Among the consultation questions within the Green Paper the following have particular financial implications to the Housing Revenue Account moving forward:

- Are there any changes to what constitutes a Decent Home that we should consider?
- Do we need additional measures to make sure social homes are safe and decent?
- Views on whether the Government’s current arrangements strike the right balance between providing grant funding for housing associations and HRA borrowing for local authorities; and
- What level of additional affordable housing, over existing investment plans, could be delivered by social housing providers if they were given longer term certainty over funding?

The Green Paper states that “to deliver the social homes we need we will support local authorities:

- To build by allowing them to borrow;
- Explore flexibilities over how they spend Right to Buy receipts; and
- Not require them to make a payment in respect of their vacant higher value council homes.”

The Council’s response is attached at Appendix D.

The Prime Minister announced on 3rd October 2018 that the government would be “*scrapping that cap*” in reference to the authorised limit for indebtedness for the HRA. A consultation paper was issued shortly after the announcement and the borrowing cap formally lifted as part of the Budget proposals on 29th October 2018.

This announcement followed the Additional HRA Borrowing Programme launched by MHCLG in June 2018 to release an additional £2bn of borrowing headroom for local authorities. The Council made bids into the programme for 3 potential schemes totalling £6.9m to deliver up to 85 homes. The schemes included:

	No. of homes	Net Borrowing Requirement £'000
Gas Street Car Park	18	889
Vacant/Underused Garage Sites	40	3,882
Back Lane, Long Lawford (S106 site)	27	2,152

Following the budget announcement MHCLG contacted all authorities to confirm that “*with the complete abolition of the borrowing cap all those who bid are now free to press ahead with their plans.*”

Use of receipts from Right to Buy Sales

In conjunction with the Social Housing Green Paper, Government is also consulting on changing the rules on how local authorities can use the money raised from Right to Buy sales to make it easier for them to build more homes. Consultation suggestions include:

- Extending the time limit for spending RTB receipts from 3 to 5 years for existing receipts – but, keeping the 3-year limit for future receipts;
- Allowing flexibility on the 30% cap on expenditure per replacement unit in certain circumstances;
- Restricting the use of receipts for the acquisition of existing properties;
- Allowing local authorities flexibility to use receipts for shared ownership as well as for affordable and social rent; and
- Allowing local authorities to gift land from the General Fund to the HRA at zero cost.

The consultation closed on 9th October 2018. The consultation document can be found via the hyperlink below:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733469/Right to Buy consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733469/Right_to_Buy_consultation.pdf)

The Council's response is attached at Appendix E to this report.

Rents for Social Housing from 2020/21

On 4th October 2017, the Department for Communities and Local Government (DCLG) announced that social landlords will be allowed to increase social housing rents “limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.”

In September 2018 government released a consultation paper on the implementation of this change, which can be found via the hyperlink below.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740299/180912_Rents_for_social_housing_from_2020_to_2021_consultation_document.pdf

Of particular note is the proposal to direct the Regulator of Social Housing to apply its rent standard to local authority registered providers in line with private registered providers. Rent regulation caps the amount of rent that registered providers may charge, and by extension limits the amount of Housing Benefit or Universal Credit that recipient tenants need to meet the cost of their rents. The Council’s response is attached at Appendix F.

For the purposes of financial planning within the Medium Term Financial Plan rent uplifts are estimated at 3% (Bank of England CPI target of 2% + 1%).

Biart Place and Rounds Gardens – potential refurbishment or regeneration

Council has received two reports in 2018/19 concerning the condition and potential options for both Rounds Gardens and Biart Place. On 27th September 2018 Council approved:

- Proceeding with the Biart Place redevelopment design and procurement;
- Installation of additional fire alarms at Rounds Gardens based on recommendations by the fire risk assessor and Warwickshire Fire and Rescue Service (based on the assumption tenants remain in the block for the duration of these works); and
- a further report to Council in December updating information on structural surveys

The structural findings in respect of the blocks at both sites, which account for almost 10% in total of the Council’s HRA stock, were unanticipated. The measures required to respond to these findings will have an extraordinary impact on the HRA’s financial resources, which will impact on its ability to meet to both current and emerging housing needs. This will, in turn, have a potential impact on the General Fund, as unmet housing need has to be increasingly met via temporary accommodation. It will therefore be necessary for the Council to approach central Government to establish what financial support they are able to provide to respond to these issues.

To ensure that the Council has earmarked balances to commence potential demolition and rebuild costs (notwithstanding central Government financial support) in 2019/20, it is proposed that £5.082m that would otherwise have been set aside for the repayment of debt as part of the HRA Medium Term Financial Plan will be utilised as Revenue Contributions to Capital Expenditure. In addition, this report recommends that £5.839m set aside for the repayment of debt in 2018/19 is also utilised as Revenue Contributions to Capital Expenditure.

Until such point as central Government financial support is confirmed the updated HRA Medium Term Financial Plan (Appendix C) contains continuing Revenue Contributions to Capital Expenditure in place of voluntary debt repayments. Adjustments have also been made for temporary rent loss and additional interest on debt where timelines can be estimated.

3. REVIEW OF HRA BALANCES

The HRA draft budget for 2019/20 (Appendix A) takes into account the effect of the final year of the 1% rent reduction and the 30-year HRA financial plan has been updated to reflect changes, including high-rise site redevelopment/refurbishment, where the impact can be forecast.

HRA Revenue Balance

The level of the HRA Revenue balance was re-assessed prior to rent setting in 2018/19 considering potential risks arising from the Council's capacity to manage in-year budget pressures and the wider reform and regulatory environment. As part of the report to Council on 27th April 2018 concerning high rise sites, it was further recommended that the budgeted HRA voluntary debt repayment for 2017/18 of £4.992m was reallocated to revenue balances to bring them above the minimum assessment assumed at the time of rent setting in light of the revised circumstances. Supplementary budgets totalling £1.512m have been approved in 2018/19 to:

- Provide full-time security and fire safety presence at Biart Place and Rounds Gardens; and
- Establish a guarantor / indemnity reserve of £160,000 to mitigate potential losses arising from the increase in private sector allocations.

After assessing for the above, the estimated HRA Revenue balance at 31st March 2019 will be **£5.099m**. This level is considered prudent to meet further revenue costs arising from decisions on the future of the high-rise sites and other potential risks moving forward over the term of the HRA Medium Term Financial Plan.

Major Repairs Reserve

The Major Repairs Reserve (MRR) reflects the need to replace major components as they wear out. This funding, together with previous allocations of supported borrowing and revenue contributions, has enabled the Council to maintain the housing stock in a good condition. As the housing Green Paper draws specific reference to "what constitutes a decent home" balances will require reviewing in light of any regulatory changes in future years. The forecast balances will rise over the period of the medium term financial plan to replenish funds utilised in the Window Replacement programme 2015-2018 as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Balance b/fwd	1,465	1,480	1,762	2,132
Depreciation/Appropriations from HRA Revenue	2,075	2,173	2,201	2,267
Interest Received	15	15	15	15
Capital Financing	-2,075	-1,906	-1,846	-1,892
Balance c/fwd	1,480	1,762	2,132	2,522

Housing Repairs Account

The Housing Repairs Account is an earmarked reserve used to mitigate the risks associated with cyclical and responsive repairs over time. The forecast balance over the period of the medium term financial plan is **£1.090m**.

Housing Capital Investment Balances

In addition to the above, the Council has also made revenue contributions set aside for capital investment in prior years to fund new build, estate regeneration and other works, for example, upgrades to the Housing Management System software. Capital investment balances will be utilised to fund redevelopment and refurbishment costs at Biart Place and Rounds Gardens over the period of the HRA Medium Term Financial Plan subject to availability of financial support from Central Government. Costs in excess of available balances will be met via additional borrowing. Where Right-to-Buy (RTB) receipts are utilised to fund replacement homes, only 30% of the total cost may currently be funded from this source. The forecast balances over the period of the medium term financial plan are as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Balance b/fwd	9,840	3,892	2,092	2,437
Contributions from HRA	5,082	4,380	3,918	4,148
Capital Financing for New Build / Acquisitions / Other Projects	-11,030	-6,180	-3,573	-3,680
Balance c/fwd	3,892	2,092	2,437	2,905

Right-to-Buy (RTB) Capital Receipts

The Council entered a 1-4-1 retention agreement with MHCLG in 2012 allowing it to retain a greater proportion of receipts upon the condition that they are utilised in provision of replacement housing within 3 years. Receipts under the 1-4-1 retention agreement that are not utilised must be returned to Her Majesty's Treasury (HMT) and incur an interest charge of Bank of England Base Rate plus 4%. Only 30% of the expenditure incurred on replacement housing may be financed from RTB receipts. As noted in section 2, MHCLG is consulting on changes to the use of Right-to-Buy receipts and the Council's response to the consultation is included at Appendix E of this report.

It is assumed that 25 homes will be sold under the Right-to-Buy per year over the period of the medium term financial plan producing an average receipt of £85,000 per property (prior to pooling). Forecast balances over the period are as follows:

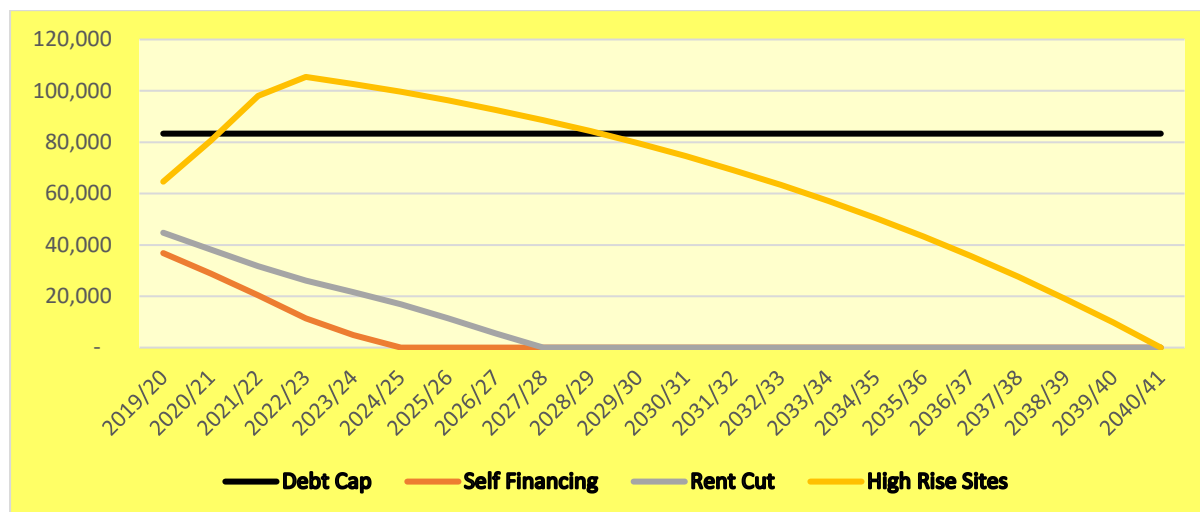
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Balance b/fwd	5,929	3,829	1,829	1,729
Net Pooling Contribution	900	900	900	900
Capital Financing for New Build / Acquisitions	-3,000	-2,000	-1,000	-500
Balance c/fwd	3,829	1,829	1,729	2,129

4. MEDIUM TERM FUNDING OPTIONS

The financial impact of the 1% rent cut on the Council's capacity to meet its HRA self-financing debt repayment schedule was outlined to Cabinet in January 2016. Subsequently a revised schedule of debt repayment was approved as part of rent setting in 2017/18 and refreshed in 2018/19.

As noted in sections 2 and 3, sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment/refurbishment costs at the high-rise sites. In the absence of Central Government financial support, the revised debt repayment schedule will now extend to **2040/41**, subject to sensitivity around project timelines and cost estimates.

The chart below compares the original debt repayment schedule (*self-financing*), the revised schedule following the 1% rent cut (*rent cut*), and the updated schedule in light of the current redevelopment/refurbishment estimates (*high-rise sites*). The level of the former "debt cap" is also included for reference.



Reducing the level and extending the timeline of debt repayments to 2040/41 will increase the net interest payable by the HRA during this period. All debt rescheduling and increases to the HRA debt pool will be undertaken in conjunction with the principles set out in the Council's Treasury Management Strategy.

An updated HRA medium term financial plan reflecting the above position is included at Appendix C.

The remainder of the report concentrates on proposals for 2019/20 including:

- Rent
- Service Charges
- Performance management – voids and debt collection
- Expenditure assumptions
- Housing repairs and capital programme
- Capital financing

5. RENT

Background

The Welfare Reform and Work Bill 2015 introduced a requirement for local authorities and other registered providers to reduce rents by 1% a year for four years beginning 2016/17. Previous guidance (Spending Review 2013) was for registered providers to increase rents by no more than the Consumer Price Index (CPI) inflation rate plus 1% per year. In 2019/20 this would have produced a rent increase of 3.40% (September 2018 CPI + 1%). The Council implemented the rent change in 2016/17, with an estimated cumulative rent differential over the 4-year period of £5.107m.

On 4th October 2017, the Department for Communities and Local Government (DCLG) announced that social landlords will be allowed to increase social housing rents “limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.” This represents a return to previous rent settlement, which was meant to run from 2015 to 2025 but was replaced with a 4-year reduction by 1% annually from 2016.

Following scrutiny of the bill in the House of Lords, exemption from the policy was granted for one year for sheltered accommodation in 2016/17. Special Council on 1st March 2016 therefore recommended that rents for properties in this group were frozen and the subsequent difference in rent charged set aside to an ear marked reserve. The impact in 2019/20 is £52,050.

Properties below target rent (the equivalent rent in the Housing Association sector) are still allowed to have rents uplifted to that rate at the point of vacancy and subsequent relet, with rents then decreased by 1% in the next financial year. It is estimated that 150 homes below target rent will be relet during 2019/20 based on historic trends and stock availability following the decant of Biart Place.

Rent estimates for 2019/20 assume a stock level of 3,650 HRA properties at the start of April 2019. It is estimated that stock will fall by an estimated 25 Right-to-Buy sales in year which will be mitigated by the purchase of 38 open market homes (including 26 at Cawston Meadows). A void rate of 1.00% (excluding any decant properties) is estimated for 2019/20 (see page 13 for details).

Rent Calculation

The calculations for rents are based on average rents over the entire year, i.e. without any free weeks. The percentages applied to this may not be the same as the ones applicable when considering a 48 or 49-week rent year. 2019/20 is a 49-week rent year and therefore rents will be charged accordingly.

The following calculations are based on stock numbers as at October 2018.

	2018/19 £'s	2019/20 £'s	Average % Decrease	Average £ Decrease
Average Weekly Rent (52-week basis)	83.05	82.22	1.00	0.83

Since 2019/20 is a 49-week rent year the rents will be charged accordingly and therefore the figures shown here are for illustrative purposes. Estimated rental income from dwellings of £15.541m for 2019/20 has been included within the draft HRA revenue budgets as shown in Appendix A. The estimate is based on the central business case of:

- An average 1% void rate across the stock;
- A decant of all units at Biart Place multi-storey flats;
- 25 Right-to-Buy sales in 2019/20;
- Acquisition of new build properties at Cawston Meadows and Rugby Gateway; and
- 150 re-lets where rent is uplifted to target rent

For each 1% change in the void rate the HRA rent loss is equivalent to £156,050. Each additional RTB sale produces an average rent loss of £4,100 in a full year. The average target rent in 2019/20 (52-week basis) will be £89.23 as compared to the average current rent of £82.22 (see above.)

6. SERVICE CHARGES

In line with government guidance, the Council carried out an exercise of depooling rent and service charges in 2006/07. This enabled tenants to see the estimated amount spent on services that had previously been included within the rent. Income from service charges is estimated at £1.173m in 2019/20 (including a void allowance of 1.00%).

The average weekly impact upon utilities and cleaning service charges arising from the estimates of costs associated with that service in 2019/20 (on a 48-week basis) is as follows:

Charge Type	Average Charge p/w (52 wk basis) £	Average Change p/w £
Communal Lighting - Electricity (Rebateable – eligible for Housing Benefit)	1.48	0.00

Communal Heating - Gas (Rebateable – eligible for Housing Benefit)	0.40	0.03
Communal Cleaning (Rebateable – eligible for Housing Benefit)	2.62	0.29
Communal Heating – Gas (Non-Rebateable – Very Sheltered Housing only – not eligible for Housing Benefit)	6.84	-0.22

Independent Living Co-ordinator, Lifeline, Concierge and Estate Officer charges are currently under review in light of the redevelopment/refurbishment projects at Biart Place and Rounds Garden. Details of the updated cost composition and apportionment of charges will be included in the report to Cabinet in January 2019.

7. PERFORMANCE MANAGEMENT

The financial management of the HRA is directly linked to key performance in a number of operational areas – void management, rent collection and arrears recovery.

Void Management

There is a direct relationship between the time a property remains void and the rent foregone. Consequently, ensuring that homes are relet in the most efficient manner is a key priority for housing service staff.

For 2019/20 the target for void property rent and service charge loss will be set at 1.00%, equating to £156,050. Most recent performance data shows void loss running at 1.73% which has been influenced by the requirement to keep several flats at the Rounds Gardens site vacant whilst intrusive structural surveys were completed.

Rent Collection/Bad Debt Provision

The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that has to be set aside.

Government had originally intended to introduce Universal Credit on a phased basis from October 2013. However, full Borough-wide implementation for new claimants was not introduced until October 2015 and the transition for existing claimants is scheduled for completion in 2021/22.

Arrears greater than 4 weeks amounted to £1.143m as at 17th September 2018. The level of rent arrears has been reviewed in year and will be monitored until final budget setting in February. The HRA's contribution to bad debt provision is currently estimated at £70,250 in 2019/20 reflecting the above circumstances.

8. EXPENDITURE – ASSUMPTIONS

Employee costs

The HRA budgets are based on the current staffing establishment and an increase in pay of 2% for 2019/20 based on the National Joint Council agreement. Progression

through pay scales and increased employer contributions to the Local Government Pension Scheme have also been included in the base budget.

Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

Gas and electricity costs have been estimated to attract the following inflation in 2019/20:

	Inflation Rate
Gas	2.5%
Electricity	0.0%

The level of utility costs is subject to variation as further information about future energy inflation and current consumption is refined prior to rent setting.

Central Recharges

These costs are currently estimated at £2.044m in 2019/20 and include the HRA's proportion of Corporate Property, ICT, Legal, Human Resources, Payroll and other costs.

Charges for Capital

MHCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) have produced guidelines regarding council dwelling depreciation and impairment to coincide with the introduction of 'self-financing'. Depreciation is used to provide a measure of the cost of the economic benefits embodied in an asset that have been consumed during the year. Estimates for 2019/20 charges are based around this guidance and there is a decrease of £0.212m on financial year 2018/19. If the final depreciation charge for 2019/20 is less or more than the estimate (£2.075m), the excess or deficit is transferred to the Major Repairs Reserve to ensure the smoothing of costs for major works over the medium term.

Amounts set aside for the repayment of debt/ Revenue Contributions to Capital Expenditure

The HRA business plan initiated at the point of self-financing assumed that all in-year surpluses would be utilised in the repayment of debt, subject to the maintenance of a prudent HRA working balance. Prior to the introduction of the 1% rent cut and the redevelopment/refurbishment projects at high rise sites, estimates were that the HRA self-financing debt allocation of £72.949m would be repaid in 2024 (12 years following the settlement). As noted in sections 2 and 3, sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment/refurbishment costs at the high-rise sites. In the absence of Central Government financial support, the revised debt repayment schedule will now extend to 2040/41, subject to sensitivity around project timelines and cost estimates.

Unlike the General Fund, there is no statutory requirement to set aside money from revenue for debt repayment within the HRA allowing flexibility to adjust debt repayment considering HRA business planning needs in future years.

9. HOUSING REPAIRS & MAJOR WORKS

Housing Repairs

Housing repairs expenditure covers both planned and responsive maintenance, some of which is capital funded. The funding is split between:

- the Housing Repairs Account for revenue expenditure such as boiler servicing, electrical inspections, etc.; and
- the Major Repairs Reserve (MRR) for capital works including the replacement of significant components (kitchens, bathrooms, central heating, etc.)

The transfer to the Housing Repairs Account in 2019/20 is estimated at £3.714m (£3.676m 2018/19). The increase (£0.038m) is accounted for by:

- Cyclical gas servicing works – (£20,000)
- Other miscellaneous items - (£18,000)

Major Works

The Council is required to produce a capital programme which takes account of at least the next three financial years. The full programme is included at Appendix B. Material items within the programme include:

Heating Upgrades (£860,000)

The proposals for 2019/20 to 2023/24 include a heating upgrade/replacement programme of approximately 1500 properties (300 per annum) as part of the lifecycle replacements funded via the Major Repairs Reserve.

Bathrooms (£350,000)

The proposals for 2019/20 include a bathroom replacement programme of approximately 140 properties to ensure continuing compliance with Decent Homes standards. A further 540 replacements will be undertaken in the period 2020/21 to 2023/24. Funding is via the Major Repairs Reserve.

Commercial Boilers at Tanser Court (£100,000)

Condition reports indicate that the remaining life span for these commercial boilers is coming to an end. Any salvageable parts being will be retained as spares for Lesley Souter House. Funding is via the Major Repairs Reserve.

Acquisitions (£1,685,000)

To maintain compliance with its retained Right-to-Buy 1-4-1 Agreement with MHCLG the Council will acquire approximately 12 properties in 2019/20. The average cost of

acquisition is estimated at £140,000 of which a maximum 30% (£42,000) is currently funded via Right-to-Buy sales receipts. The balance (70%) is funded via Housing Capital Investment balances. Where larger new build or acquisition schemes are envisaged, such as those outlined in section 2, reports will be brought to Council outlining operational and financing recommendations.

10. CONCLUSION

The estimates contained within this report represent the most up-to-date information and sensitivity analysis available in preparing the HRA revenue budget for 2019/20 and the HRA medium term financial plan 2019-23. Further changes may arise from the following operational and policy areas:

- Revisions to cost estimates, project timelines, and external funding in relation to Biart Place and Rounds Gardens redevelopment/refurbishment schemes;
- Staffing and other change arising from the on-going Housing Service Review;
- Revisions to inflation estimates impacting construction industry materials and labour costs; and
- Direct and indirect impact of efficiency measures arising from:
 - Digitalisation measures
 - Structure and delivery mechanisms of support service recharges

Any changes made to any of the recommendations will potentially affect the content of the subsequent appendices. If any changes to the rent setting levels are proposed, it is important to be clear about the effects of the change and to build these in during the consideration of each recommendation.

Name of Meeting: Cabinet

Date of Meeting: 3 December 2018

Subject Matter: Draft Housing Revenue Account Capital & Revenue Budgets 2019/20 and Medium Term Financial Plan 2019-23

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

DRAFT REVENUE BUDGETS 2019/20 SUMMARY**HOUSING REVENUE ACCOUNT**

	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Draft Budget £	Notes
INCOME :-				
Rent Income From Dwellings	-16,127,080	-15,807,590	-15,540,520	1
Rent Income From Non - Dwellings	-149,900	-149,900	-137,600	2
Charges For Services	-1,343,210	-1,285,500	-1,173,430	3
Contributions Towards Expenditure	-215,570	-215,570	-215,570	
Total Income	-17,835,760	-17,458,560	-17,067,120	
EXPENDITURE :-				
Transfer To Housing Repairs Account	3,675,610	3,675,610	3,713,790	4
Supervision & Management	4,493,090	5,627,340	4,517,310	5
Rents, Rates, Taxes & Other Charges	3,000	3,000	3,000	
Depreciation and Impairment	2,287,000	2,287,000	2,075,000	6
Debt Management Cost	15,000	15,000	23,810	
Provision For Bad or Doubtful Debt	193,440	193,440	70,250	7
Amounts set aside for the repayment of debt	5,839,040	5,839,040	0	8
Total Expenditure	16,506,180	17,640,430	10,403,160	
HRA Share of Corporate & Democratic Core Costs	213,980	213,980	213,930	
NET COST OF HRA SERVICES	-1,115,600	395,850	-6,450,030	
HRA SHARE OF OPERATING INCOME & EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME & EXPENDITURE ACCOUNT				
Interest Payable & Similar Charges	1,171,470	1,171,470	1,532,000	
Interest & Investment Income	-111,690	-111,690	-215,850	
NET OPERATING EXPENDITURE	-55,820	1,455,630	-5,133,880	
Revenue Contributions to Capital Expenditure	0	0	5,081,830	8
Contributions to (+) / from (-) Reserves	55,820	55,820	52,050	
Surplus(-)/Deficit for year	0	1,511,450	0	

Notes

- 1 Rent estimates based on rent reduction of 1% and estimated 25 RTB sales in year.
- 2 Garage rents have been increased in line with national guidance but this has been offset by an increase in the number of void/empty properties.
- 3 The net change in service charge income reflects any inflationary rises noted within the report and includes a void allowance of 1.00%.
- 4 The increase includes provision for increased costs (planned maintenance) on gas servicing
- 5 The main adjustments to supervision & management are:

	£
Increase in contract cleaning cost	2,310
Salaries - reflecting the change in staff numbers and employers costs	19,910
Other net changes less than £10,000	2,000
Total change in Supervision & Management budget	<u><u>24,220</u></u>

- 6 DCLG and CIPFA have produced guidelines regarding council dwelling depreciation to coincide with the introduction of HRA self-financing. Estimates for 2018/19 have been prepared on this basis.
- 7 The decrease in bad debt provision reflects an estimated fall in arrears subject to the full roll out of the Universal Credit.
- 8 Sums set aside for the voluntary repayment of debt will be diverted to balances during the period of the HRA Medium Term Financial Plan to fund redevelopment/refurbishment costs at the multi-storey sites.

Proposed Housing Revenue Account (HRA) Capital Programme 2019/20 and onwards

	Revised 2018/19 Capital Programme	Anticipated 2018/19 slippage into 2019/20	Proposed 2019/20 Capital Programme	Proposed 2020/21 Capital Programme	Proposed 2021/22 Capital Programme
	£	£	£	£	£
Improvements & Capitalised Repairs					
Bathrooms	419,120	0	350,000	350,000	350,000
Fire Risk Prevention Works	62,400	0	62,400	62,400	62,400
Heating Upgrades	264,880	0	860,000	860,000	860,000
Kitchen Improvements	324,830	0	50,000	50,000	50,000
Window / Doors Replacement	0	0	0	0	0
Patterdale Sheltered Scheme	262,500	0	0	0	0
Energy Efficiency Long Lawford External Cladding Phase 2	900,000	0	0	0	0
CCTV Upgrades	46,050	0	0	0	0
Finlock Gutter Improvements	20,000	0	7,000	7,000	7,000
Replacement Footpaths	20,000	0	20,000	20,000	20,000
External Walls	50,000	0	50,000	50,000	50,000
Roof Refurbishment - Rounds Gardens	283,930	0	0	0	0
Fire Alarms - Rounds Gardens	450,000	0	0	0	0
Roof Refurbishment - Lesley Souter House	70,000	0	0	0	0
Rewiring	237,000	0	237,000	237,000	177,000
Rewiring - Ashwood Court	22,500	0	0	0	0
→ Door Entry Systems	50,000	0	70,000	70,000	70,000
Electrical Upgrades - Community Rooms	0	0	34,000	0	0
Boiler Works - Tanser Court	0	0	100,000	0	0
LED Lighting	0	0	35,000	0	0
Soffit/Guttering Replacement	0	0	0	0	0
Housing Management System	628,300	0	60,000	60,000	60,000
Housing Repairs Service - IT System	15,180	0	0	0	0
Solar PV	12,210	0	0	0	0
Disabled Adaptations	220,420	0	200,000	200,000	200,000
Lifeline Renewal Programme	110,320	0	30,000	30,000	30,000
Property Repairs Vehicle Replacement	353,460	0	0	0	0
Purchase of Council Homes	2,267,280	0	1,685,000	1,685,000	1,685,000
Cawston Meadows Houses	4,002,610	0	0	0	0
Rugby Gateway Houses - CALA Homes	186,000	0	434,000	0	0
Rugby Gateway Houses - Bloor Homes	675,000	0	0	0	0
Biart Place	2,440,000	0	0	0	0
Bell House Redevelopment	1,570,000	0	0	0	0
TOTAL	<u>15,963,990</u>	<u>0</u>	<u>4,284,400</u>	<u>3,681,400</u>	<u>3,621,400</u>
Draft Financing: -					
Revenue Contributions / RTB Receipts	12,306,410	0	2,209,000	1,775,000	1,775,000
Major Repairs Reserve	<u>3,657,580</u>	<u>0</u>	<u>2,075,400</u>	<u>1,906,400</u>	<u>1,846,400</u>
TOTAL	<u>15,963,990</u>	<u>0</u>	<u>4,284,400</u>	<u>3,681,400</u>	<u>3,621,400</u>

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT (HRA): 2019/20 - 2022/23

	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
EXPENDITURE				
Supervision & Management	4,517	4,630	4,746	4,865
Repairs & Maintenance	3,714	3,807	3,902	4,000
Rents, Rates, Taxes	3	3	3	3
Charges for Capital	2,075	2,137	2,201	2,267
Debt Management	24	24	25	26
Provision for Bad Debts	70	72	74	76
HRA Share of Corporate & Democratic Core Costs	214	219	224	230
Amounts set aside for the repayment of debt	0	0	0	0
Revenue Contributions to Capital Expenditure	5,082	4,380	3,918	4,310
Net Interest Payments	1,316	1,815	2,234	2,544
Contribution to/from(-) reserves	52	53	54	55
Total	17,067	17,140	17,381	18,376

INCOME				
Dwelling Rent	-15,541	-15,575	-15,776	-16,568
Garages	-138	-141	-145	-149
Service Charges	-1,173	-1,203	-1,233	-1,264
Contributions towards expenditure	-216	-221	-227	-233
TOTAL	-17,067	-17,140	-17,381	-18,214

Impact on Average Rent (52 week basis):	£'s	£'s	£'s	£'s
Prior Year	83.05	82.22	84.69	87.23
Current Year	82.22	84.69	87.23	89.84
Increase £'s	-0.83	2.47	2.54	2.62
Increase %	-1.00	3.00	3.00	3.00

Housing Green Paper Consultation Questions

The following table sets out the questions asked within the Green Paper Consultation along with Rugby Borough Council's responses.

Number	Question	Response
1	<p>How can residents best be supported in this important role of working with landlords to ensure homes are safe?</p>	<p>A spirit of co-operation and mutual respect needs to be established from day 1 and maintained throughout the tenant's housing career.</p> <p>Provision of appropriate training to ensure both residents and Landlords are working to the same standards. What support would the government provide to implement this?</p> <p>Safe means different things to different people and different communities. It would be good to define what safe means locally through effective resident consultation before standards are further developed.</p> <p>Specialist Training could be provided to train tenant panel members so they can be part of a working group helping organisations in the safe design of homes and local community environments.</p>
2	<p>Should new safety measures in the private rented sector also apply to social housing?</p>	<p>There is a suggestion of a proposed amendment to the Decent Homes Standard. This issue would be an appropriate one to consider as part of that review, and the resulting consultation process.</p>
3	<p>Are there any changes to what constitutes a decent home that we should consider?</p>	<p>The decent homes standard should always be subject to regular review and where evidence supports the change it should be implemented whether it be additions or changes to timescales. Would the government provide financial support for the likely impact?</p> <p>Decent home means different things to residents, and different communities. It would be good to define what decent means locally through effective resident consultation before standards are further developed.</p>

4	<p>Do we need additional measures to make sure social homes are safe and decent? If you answered yes, are there measures you would suggest?</p>	<p>Yes – if the standard is going to increase then this is going to have an impact on HRA’s. What support will government be providing?</p> <p>The issues of gas servicing (and potential electrical inspections) are hindered by the non-co-operation of tenants and the expensive enforcement route to getting this done. Social housing landlords need more powers of entry to get the work done. It is everybody’s interest to ensure that we can do this swiftly and in a cost effective manner.</p>
5	<p>Are there ways of strengthening the mediation opportunities available for landlords and residents to resolve disputes locally? If you answered yes, you can provide suggestions below</p>	<p>Yes, we have found that by speaking to residents rather than dealing with them through letters is far more effective way of resolving disputes. There are also local mediation organisations that could be empowered to help deal with disputes between tenant and landlord.</p>
6	<p>Should we reduce the eight-week waiting time to four weeks? Or should we remove the requirement for the 'democratic filter' stage altogether?</p>	<p>If you are seeking to reduce the stigmatisation of social housing tenants then the removal of the filter makes sense. Tenants should be able to access these services without what is currently perceived as an inbuilt delay to the system.</p> <p>The “democratic filter” effectively reduces the opportunities for tenants to seek redress. In any other local authority service area residents are able to access their democratic representative in addition to the normal complaints procedure. In respect of landlord complaints, however, this avenue is not available to them as it would prejudice the potential future involvement of that representative in the filter stage.</p> <p>In practice, the democratic filter serves no purpose and is a barrier to accessing ombudsman services that doesn’t exist in any other sector.</p> <p>Where tenant panels are well established and effective their use can be built into the landlord’s complaints procedure.</p> <p>Preventing the ombudsman from investigating complaints as soon as they’re received is unjust and serves no practical purpose.</p> <p>The Local Government and Social Care Ombudsman is well respected in the local authority sector and has well established procedures. There would be value in merging the Housing Ombudsman and Local Government and Social Care Ombudsman services into a single Local Government, Housing and Social Care Ombudsman service.</p>

7	What can we do to ensure that “designated persons” are better able to promote local resolutions?	<p>Designated persons are best placed to take advocacy and scrutiny roles in complaints processes. It is unreasonable to expect them to take any formal role in dispute resolution.</p> <p>In the interim period before it is possible to remove the “designated persons” role they should be encouraged to make immediate referrals to the ombudsman service.</p> <p>Where Tenant Panels are established members could be trained to take on this role more locally</p>
8	How can we ensure that residents understand how best to escalate a complaint and seek redress?	<p>The last stage of the council’s complaints procedure is designed to inform residents of their rights to access the relevant ombudsman service. For most complaints we are able to refer residents to the Local Government and Social Care Ombudsman direct. For tenancy matters we must explain their right to contact a designated person and offer help to access someone if needed. This is a further unnecessary barrier to accessing further resolution services.</p> <p>There is no value in running any “campaign” raising awareness of the Ombudsman service, especially while there is no direct right of access. All landlords should already be directing tenants to the service as part of their local procedure.</p>
9	How can we ensure that residents can access the right advice and support when making a complaint?	<p>Clear and coherent complaints process are needed within housing organisations. There also needs to be a culture of putting the customer at the front and centre of decision-making to increase confidence in fair processes being fairly implemented.</p> <p>At Rugby BC, we take pride in having transparent and accessible means of making complaints, with a clear escalation process in place.</p> <p>Local tenant panels and democratic representatives are well placed to provide advocacy support and will allow continuing democratic engagement in complaints if the “democratic filter” is removed.</p> <p>Democratic representatives have relevant and appropriate relationships with landlords and with tenants and essential local knowledge and their advocacy role should not be undermined.</p> <p>A newly created national advocacy service would suffer the same disadvantages around awareness and accessibility as the current Housing Ombudsman service.</p>

10	How can we best ensure that landlords' processes for dealing with complaints are fast and effective?	<p>The missing bit here is a reference to being fair.</p> <p>There is a strong business / commercial reason for having this in place as this can be time consuming and expensive. Social landlords should have the acumen to identify this and remedy it for themselves.</p> <p>The Ombudsman service should allow tenants to raise complaints directly. The Local Government and Social Care Ombudsman has well-established procedures to identify "premature complaints" and complaints where the relevant authority has not provided a timely response. The Ombudsman can exercise his discretion to investigate complaints that have not been resolved locally.</p> <p>Giving the Local Government and Social Care Ombudsman powers to investigate landlord matters would bring resident's tenancy rights onto a par with other services.</p>
11	How can we best ensure safety concerns are handled swiftly and effectively within the existing redress framework?	<p>Providing clear guidelines on what constitutes a safety concern and timescales for responding to them</p>
12	Do the proposed key performance indicators cover the right areas?	<p>Yes, these are the most important KPI's for residents. Having a set of KPI's that measure consistently across the sector would be welcomed, however these should be outcome based with narrative of how the outcome has helped the resident.</p>
14	Should landlords report performance against these key performance indicators every year?	<p>Yes</p> <p>A lot of what is being suggested seems to hark back to the days of the Audit Commission.</p> <p>Lessons learnt from previous experience is that the PI's drive certain behaviours within an organisation and this becomes all about meeting the PI (and the reporting process) rather than meeting the needs of customers.</p>

15	What more can be done to encourage landlords to be more transparent with their residents?	<p>At Rugby, we have made sure that investment decisions about the future of our high-rise blocks has been reported in the public domain. We wanted to be accountable and transparent, but also ensure that people heard an accurate message.</p> <p>We have also ensured that tenants have been given notice of the reports, how to access them and how to obtain hard copies should they need to.</p> <p>At RBC we consult and include tenants in our service reviews, policy reviews, review of tenancy conditions, new initiatives, review our complaints and lessons learned. We feel this has been very transparent.</p> <p>Local authorities are democratically accountable, with elected members able to scrutinise performance and decision-making. They are also public authorities for the purposes of the Freedom of Information Act and Environmental Information Regulations.</p> <p>Other social housing landlords could be made equally open and transparent by making them subject to FOI and EIR and requiring their cooperation with local authority scrutiny committees.</p>
16	Do you think that there should be a better way of reporting the outcomes of landlords' complaint handling? How can this be made as clear and accessible as possible for residents?	<p>The Local Government and Social Care Ombudsman publishes decision notices relating to all cases investigated, with an annual local authority performance letter.</p> <p>Giving the Local Government and Social Care Ombudsman powers to investigate landlord matters would extend this transparency to tenancy matters.</p>
17	Is the Regulator best placed to prepare key performance indicators in consultation with residents and landlords?	<p>It would be good to have KPI's that are not just numbers but are meaningful and allow for improvement. These must be devised locally where possible to be of most use to organisations and local residents.</p>
18	What would be the best approach to publishing key performance indicators that would allow residents to make the most effective comparison of performance?	<p>Through local resident magazines, organisations website and the regulators website. As mentioned above, the information must be meaningful with narrative explaining and not just numbers and graphs that show a black and white picture.</p>

19	Should we introduce a new criterion to the Affordable Homes Programme that reflects residents' experience of their landlord? What other ways could we incentivise best practice and deter the worst, including for those providers that do not use Government funding to build?	Using such criterion is very subjective which is something to be avoided. Having such a scheme could also affect residents and communities if investment isn't being made in the right places.
20	Are current resident engagement and scrutiny measures effective? What more can be done to make residents aware of existing ways to engage with landlords and influence how services are delivered?	more modern engagement methods need to be considered, making best use of the available technology to reach out to a range of tenants so that views are more representative. This will form part of Rugby BC's new tenant insight programme.
21	Is there a need for a stronger representation for residents at a national level?	From our view, as long as residents have a voice locally we don't feel a national voice.
22	Would there be interest in a programme to promote the transfer of local authority housing, particularly to community-based housing associations?	No
23	Could a programme of trailblazers help to develop and promote options for greater resident-leadership within the sector?	It would be interesting to see something that looks to utilise IT / social media etc as mentioned in 20.
24	Are Tenant Management Organisations delivering positive outcomes for residents and landlords? Are current processes for setting up and disbanding Tenant Management Organisations suitable? Do they achieve the right balance between residents' control and local accountability?	No response given
25	Are there any other innovative ways of giving social housing residents greater choice and control over the services they receive from landlords?	No response given

26	Do you think there are benefits to models that support residents to take on some of their own services?	No response given
27	How can landlords ensure residents have more choice over contractor services, while retaining oversight of quality and value for money?	No response given
28	What more could we do to help leaseholders of a social housing landlord?	No response given
29	Does the Regulator have the right objective on consumer regulation? Should any of the consumer standards change to ensure that landlords provide a better service for residents in line with the new key performance indicators proposed?	No response given
30	Should the Regulator be given powers to produce other documents, such as a Code of Practice, to provide further clarity about what is expected from the consumer standards?	No response given
31	Is “serious detriment” the appropriate threshold for intervention by the Regulator for a breach of consumer standards?	No response given
32	Should the Regulator adopt a more proactive approach to regulation of consumer standards? Should the Regulator use key performance indicators and phased interventions as a means to identify and tackle poor performance against these consumer standards?	No response given

33	Should the Regulator have greater ability to scrutinise the performance and arrangements of local authority landlords?	No response given
34	Are the existing enforcement measures described above adequate?	No response given
35	Is the current framework for local authorities to hold management organisations such as Tenant Management Organisations and Arm's Length Management Organisations to account sufficiently robust?	No response given
36	What further steps, if any, should Government take to make the Regulator more accountable to Parliament?	No response given
37	How could we support or deliver a best neighbourhood competition?	No response given
38	In addition to sharing positive stories of social housing residents and their neighbourhoods, what more could be done to tackle stigma?	<p>If people are segregated by tenure, according to housing need then, there will continue to be stigma. Fundamentally, as a consequence of lack of supply of affordable homes, social housing has become rationed, and by default, housing for the most vulnerable.</p> <p>Another way to look at this is for television documentary makers to have a more responsible approach to their work. The creation of TV series such as <i>Benefits Street</i> tend to mock people living in social housing.</p>
39	What is needed to further encourage the professionalisation of housing management to ensure all staff delivers a good quality of service?	No response given

40	What key performance indicator should be used to measure whether landlords are providing good neighbourhood management?	No response given
41	What evidence is there of the impact of the important role that many landlords are playing beyond their key responsibilities? Should landlords report on the social value they deliver?	No response given
42	How are landlords working with local partners to tackle anti-social behaviour? What key performance indicator could be used to measure this work?	No response given
43	What other ways can planning guidance support good design in the social sector?	<p>Generally development management colleagues have found the quality of materials and design to be commensurate to those of the market dwellings on scheme submitted to council. This is often driven by the requirements of the RSLs who will purchase the affordable housing from the developers. Consultation responses from RSLs will be helpful in this respect. However, to ensure that social housing is indistinguishable from market housing it may be appropriate to require that all house types on a new development regardless of tenure.</p> <p>Specific advice may also be required in respect of the layout of mixed tenure scheme, where the over concentration of affordable housing in one location of a site is avoided. However, again the views of RSLs will be important here, as the implication of ‘pepper potting’ affordable housing throughout a scheme may have future management implications. Advice on layout can be extended to ensuring that affordable housing has the same proximity to public open space and other services such as schooling as market housing.</p> <p>Although the NPPF provides clear advice on good quality design, it has to be read as a whole. As such viability constraints is relevant to the delivery of any affordable housing. House builders are clear that the delivery of affordable housing on a site has the potential to impact the overall viability of a site. In those cases where developers</p>

		<p>have demonstrated through viability appraisals that the site cannot afford the full burden of affordable housing, local planning authorities must consider lower levels of affordable housing to a level that is financially acceptable. Often the issue is getting affordable housing in first place. Essentially any specified improvement in design, layout etc will come back to viability of the development and may have a detrimental impact on the overall quantum of affordable housing delivered.</p>
44	<p>How can we encourage social housing residents to be involved in the planning and design of new developments?</p>	<p>In terms of regeneration, we believe that the best approach is talking to tenants in their homes about their hopes, fears and aspirations as a starting point.</p> <p>This has to be done carefully so as to manage expectations.</p> <p>From a planning perspective there could be a requirement in local planning authority Statement of Community Involvement to consult social housing residents as an identified group. Consultation can therefore be focused in a way that increases engagement and responses and consequently influence on planning policy or schemes relevant to that group.</p>
45	<p>Recognising the need for fiscal responsibility, this Green Paper seeks views on whether the government's current arrangements strike the right balance between providing grant funding for Housing Associations and Housing Revenue Account borrowing for Local Authorities</p>	<p>RBC welcomes the announcement by the Prime Minister following the publication of the Green Paper "<i>scrapping that cap</i>" in reference to the authorised limit for indebtedness for the HRA. We await details and timelines but trust that the any further regulation will be via the Prudential framework currently in place for local authorities. RBC also welcomes the proposed new flexibilities within the Right to Buy scheme (and has responded to the consultation on this matter as such) Nonetheless, to fully release building potential the suspension of the scheme in combination with an exploration of new ways to help tenants into home ownership would be a preferred option.</p> <p>In tandem with the consultation on RTB receipts and lifting the debt cap, more emphasis could be given to providing support within the General Fund (whereas much of the consultation is predominantly HRA related) RBC is particularly interested in the One Public Estate (OPE) initiative and its potential use in conjunction with RTB receipts. Using our Town Hall site as an example – the Council is confident that we can get a significant housing scheme underway here, but our barriers are mostly finance related i.e. relocation, upfront cost of capital etc. Whilst financially our modelling stacks up – in the short term that becomes problematic given the other financial risks the Council faces that we're trying to manage. However, if we could receive upfront financial support from central</p>

		Government on enabling this project to take place, neutralising the cost in the short term to the General Fund, then we could really make headway with this scheme. This might take the form of either a grant, loan, or loan guarantee with repayment to central Government once the project is complete – via a capital receipt from Town Hall site and/or an ongoing revenue stream.
46	How we can boost community led housing and overcome the barriers communities experience to developing new community owned homes?	<p>Options to boost community led housing include:</p> <ul style="list-style-type: none"> • Resource/frameworks to facilitate local authority engagement/promotion with community groups • Guidance/promotion of how community led bids for public land can show ‘best consideration’ when assisting policy objectives beyond simple financial consideration – using evidence base and case studies, as reported by New Economics Foundation (<i>HOW TO MAKE THE CASE FOR COMMUNITY-LED HOUSING ON PUBLIC LAND, May 2018</i>) that show: <ul style="list-style-type: none"> • <u>Individual benefits</u> <ul style="list-style-type: none"> ○ Housing Affordability and Accessibility ○ Individual Wealth Building ○ Stability of ownership / occupancy ○ Liveability • <u>Collective Benefits:</u> <ul style="list-style-type: none"> ○ Fiscal benefits ○ Reduction in NIMBYism ○ Community Benefits
47	What level of additional affordable housing, over existing investment plans, could be delivered by social housing providers if they were given longer term certainty over funding?	<p>RBC would welcome “certainty over funding” that included:</p> <ul style="list-style-type: none"> • A long-term social and affordable rents policy covering a significant period of the HRA business plan (30 years) • Suspension of the RTB scheme whilst exploration is given to finding new ways to help tenants into home ownership would be a preferred option • The permanent removal of the limit on indebtedness • Loan/loan guarantee availability to neutralise short term General Fund costs whilst schemes were completed <p>Given the above circumstances, and in the absence of material issues arising via stock condition surveys, RBC’s HRA financial plan has potential to deliver additional affordable housing within the borough – c750-1000 homes during the course of the current 30-year estimates.</p>

48	How can we best support providers to develop new shared ownership products that enable people to build up more equity in their homes?	For local authority providers, shared ownership products present resource and skills difficulties (at inception and ongoing) that are not currently part of their core (social rent) business. Government assistance to overcome these barriers would be a useful first step to develop these products and appraise whether they are suitable for the area / tenant base. Where financial modelling suggests that products/schemes produce marginal/at risk returns, support, such as grant or loan guarantees may be of assistance.
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Options for reforming the rules around the use of Right to Buy receipts

Timeframe for spending Right to Buy receipts

Question 1: We would welcome your views on extending the time limit for spending Right to Buy receipts from three years to five years for existing receipts but keeping the three year deadline for future receipts.

Rugby Borough Council (RBC) welcomes the proposal for extending the time limit for spending Right to Buy receipts from three years to five years for existing receipts. We believe the timeline should also be extended to five years for future receipts. Timelines associated with major new build schemes can become protracted because of options appraisal, delivery models, procurement and planning processes. A five-year timeline would assist significantly in appraising pipeline developments fully.

Cap on expenditure per replacement unit

Question 2: We would welcome your views on allowing flexibility around the 30% cap in the circumstances set out in the consultation paper, and whether there are any additional circumstances where flexibility should be considered.

Rugby Borough Council welcomes the proposals on allowing flexibility around the 30% cap in the circumstances set out in the consultation paper. In addition, we would welcome opportunities to spread the flexibility further over schemes to the extent that an overall cap (by quarter, by year, for example) were not exceeded. This would allow acquisitions/schemes that might otherwise fail economic viability criteria to progress with a 'subsidy' from those acquisitions that require less Right to Buy funding.

Use of receipts for acquisition

Question 3: We would welcome your views on restricting the use of Right to Buy receipts on the acquisition of property and whether this should be implemented through a price cap per unit based on average build costs.

Whilst the Council recognises the general merits of new build over acquisitions, we do not believe this policy, as stipulated will meet the overriding goal of providing timely replacement homes via utilisation of Right to Buy receipts. In particular:

- The proposed cap on acquisitions is too restrictive and will invalidate our potential to use our statutory right of first refusal on former RTB's which are coming up for resale. These have to be bought at market levels rather than assumed build costs;
- A Midlands variation on build costs set at £133,000 per unit based on past data is too wide to accommodate the materials and/or labour costs from such a divergent region;
- One-off acquisitions that unlock larger schemes would be potentially restricted;
- We need to be able to tackle the issue of problematic empty properties, whilst avoiding the long and costly CPO process. The ability to acquire is more efficient and has a better result for the community, as issues can be tackled quickly;
- From an equality impact perspective, such a cap will impact on our ability to purchase / source larger homes for families in need;

- The policy does not adhere to the principles set out within the self-financing settlement of 2012. Councils need to be trusted to use our resources in a way that enables us to effectively respond to local problems. To curtail our ability to acquire units also impacts on our ability to meet housing needs, the most urgent of which result in the need for temporary accommodation and is a direct burden on the local tax payer;
- Since 2012 the Council has acquired 13 properties (out of 25) above the proposed price cap of £133,000 for the Midlands. Most of properties were 3-bed. All were assessed prior to purchase using Net Present Value discounting and found to produce a positive return to the Housing Revenue Account. In the event these properties had not been acquired, families would remain in temporary accommodation where average market rents in Rugby for this property price are £183.46p/w as opposed to the Local Housing Allowance (LHA) rate of £138.04 p/w, creating a deficit for the local tax payer of £45.42 p/w. The Council's most recent Housing Market Bulletin (April 2018) revealed there were 0 properties out of a total of 36 3-beds available at or below the LHA rate. Using the Gov.uk definition of affordability that a household should spend no more than 25% of their gross income on rent, 74% of households in Rugby are unable to afford the 3-bed average market rent based on data from the ONS' Annual Survey of Hours and Earnings.
- The Council's Local Development Framework Authority Monitoring Report 2016/17 demonstrates that affordable housing completions in recent years within wider housing developments amounted to 0.8% in 2016/17 and 8.6% in 2015/16. The Council's Local Plan aims for:
 - Affordable housing (to) be provided on all sites of at least 0.36 hectares in size or capable of accommodating 11 (net) dwelling units or more (including conversions and subdivisions).
 - On previously developed sites a target affordable housing provision of 20% will be sought.
 - On green field sites a target affordable housing provision of 30% will be sought.

but accepts that viability evidence from developers can impact upon the target and delivery timescale further reducing the provision of new build affordable housing to purchase within the current criteria of the Right to Buy proposals.

Tenure of replacement home

Question 4: We would welcome your views on allowing local authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent.

Although not currently targeting shared ownership as a model for addressing affordable housing issues, the Council believes allowing local authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent will provide flexibility in assessing future projects.

Changing the way the cost of land is treated

Question 5A: We would welcome your views on allowing the transfer of land from a local authority's General Fund to their Housing Revenue Account at zero cost.

RBC is in favour of this proposal as part of a potential flexible solution to assist in the timely delivery and economic viability of affordable housing subject to local appraisal of a business case examining alternate options regarding land disposal.

Question 5B: We would also welcome your views on how many years land should have been held by the local authority before it can be transferred at zero cost, and whether this should apply to land with derelict buildings as well as vacant land.

RBC believes each authority should set its own policy (approved by Council) on the minimum time limit - and other applicable considerations including site composition - land should have been held by that authority before it can be transferred at zero cost. This policy should fit within the parameters of the Council's overarching Asset Management and related strategies.

Transferring receipts to a Housing Company or Arm's-Length Management Organisation (ALMO)

Question 6: We would welcome your views on whether there are any circumstances where housing companies or Arm's-Length Management Organisations should be allowed to use Right to Buy receipts.

RBC is in favour of this proposal as part of a flexible solution to assist in the timely delivery and economic viability of affordable housing upon the proviso that acceptable safeguards can be established in passporting receipts to ensure tenants are provided with the opportunity to become homeowners where feasible.

Temporary suspension of interest payments

Question 7: We would welcome your views on allowing a short period of time (three months) during which local authorities could return receipts without added interest.

RBC is in favour of this proposal to increase the flexibility of its future HRA business planning whilst initial appraisal and viability checks are undertaken.

Other comments

Question 8: Do you have any other comments to make on the use of Right to Buy receipts and ways to make it easier for local authorities to deliver replacement housing?

In tandem with the consultation on Right to Buy receipts, more emphasis could be given to providing support within the General Fund (whereas much of the consultation is predominantly HRA related) RBC is particularly interested in the One Public Estate (OPE) initiative and its potentials use in conjunction with Right to Buy receipts. Using our Town Hall site as an example – the Council is confident that we can get a significant housing scheme underway here, but our barriers are mostly finance related i.e. relocation, upfront cost of capital etc. Whilst financially our modelling stacks up – in the short term that becomes problematic given the other financial risks the Council faces that we're trying to manage. However, if we could receive upfront financial support from central Government on enabling this project to take place, neutralising the cost in the short term to the General Fund, then we could really make headway with this scheme. This might take the form of either a grant, loan, or loan guarantee with repayment to central Government once the project is complete – via a capital receipt from Town Hall site and/or an ongoing revenue stream.

RBC feel that up and down the country there must be many councils in a similar position with underutilised town hall/civic centre (General Fund) land that is prime for residential / commercial redevelopment.

Reforming the replacement commitment

Question 9: Should the Government focus be on a wider measurement of the net increase in the supply of all social and affordable housing instead of the current measurement of additional homes sold and replaced under the Right to Buy? If the target were to change, we would welcome your views on what is the best alternative way to measure the effects of Government policies on the stock of affordable housing.

Please enter your comments here

Rugby Borough Council

Rents for Social Housing from 2020-21 – A consultation paper

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

To align with the roll out of Universal Credit, the Council agrees with the principal that the rent standard should apply to local authority registered providers from 2020 and awaits further confirmation from DWP on the mechanism for amendment to the Housing Benefit Subsidy Order in due course.

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

In the context of the roll out of Universal Credit noted in Question 1, and with the exceptions that the standard would not apply to:

- Accommodation let to a high income social tenant household; and
- ‘Relevant Local Authority Accommodation’ as set out in chapter 5 of the draft Policy Statement

The Council agrees that the same requirements should apply to both local authorities and private registered providers

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

The Council agrees with the proposal to permit registered providers to increase rents by up to CPI+1% each year. We would also seek clarity on the phrase “for a period of at least five years” as stated in the consultation. Our preference would be for a rent policy that matched the underlying principles of the self-financing settlement – that is, a 30-year business plan – to assist long term planning. This is particularly relevant now that the Limit on Indebtedness (‘Debt Cap’) has been abolished. Given that the Government’s stated aim in lifting the borrowing cap was “to enable councils to build more homes” a key element of any business case in making investment in new housing is certainty over income streams. In the absence of a definitive statement, it would be helpful to have a commitment that new homes built from 2020 onwards would have a guaranteed rental income of CPI + 1% for the period of the business plan; **and** an indicative timetable of when the policy will be reviewed and updated for other(older) properties beyond 2025.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

The Council agree with the proposed direction as it relates to social rent properties.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

The Council agrees with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

The Council agrees in principle with the proposed arrangements but awaits further disclosure from MHCLG on how Local Authorities can secure Secretary of State agreement that accommodation is defined as 'Relevant Local Authority Accommodation'.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

Other areas of rent/tenure policy that would assist in overcoming barriers to enabling the government's new housing ambitions include:

- As stated in response to Q3, a guarantee that new homes built from a combination of borrowing headroom and RTB receipts / other sources can be charged rent at CPI + 1% for the period of the HRA business plan (30 years) This would remove undue sensitivity from financial analysis and ensure otherwise viable schemes were not rejected.
- Establishing links between rent policy/Universal Credit and flexible/fixed term tenancies. Given that social housing remains a public good funded via finite resource, the link between the lifetime tenancies/rent charged currently and changes to tenant circumstances requires regular review. Aligning Local Authority and Housing Association rents. The table below demonstrates the current misalignment between RBC and Housing Association properties. Although relets will, over time, serve to align rents as they become 'formula' no mention is given of opportunities for earlier convergence in the consultation paper.

Property size	Council	Housing association
Bedsit (studio)		66.52
One bed	76.01	77.57
Two bed	87.79	97.81
Three bed	99.58	107.91
Four bed	106.78	120.16
Five bed	130.30	147.06

- Flexibility around affordable rent. Local data suggests an affordability gap between social rents and private rent. Using information from the Annual Survey of Hours and Earnings (ASHE) carried out by the Office for National Statistics (ONS) and the Gov.uk definition of affordability that a household should spend no more than 25% of their gross income on rent reveals that in Rugby the approximate percentage of working households **unable** to afford private and 'affordable' rents is as follows:

Property size	Private rent (%)	Affordable rent (%)
One bedroom	50%	32%
Two bedrooms	65%	41%
Three bedrooms	74%	44%
Four bedrooms	More than 80%	

A further review around the criteria to let new properties at 'affordable rent' would be welcome in establishing how to address discrepancies between unaffordable private rent and scarcely resourced social rent by allowing Councils to engage in a more bespoke manner with what levels affordable

rent is within a local economy. This might, for instance, take the form of creating bandings of affordable rent based on property valuations.

AGENDA MANAGEMENT SHEET

Report Title: Service Level Agreements and one-off Community Grants for 2019/20

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Communities and Homes

Portfolio: Communities and Homes

Ward Relevance: All

Prior Consultation: Warwickshire CAVA, Sports and Recreation Manager, Arts Heritage and Visitor Services Manager

Contact Officer: Michelle Dickson (Communities and Projects Manager) tel: (01788) 533843 email: michelle.dickson@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

- Enhance our local, open spaces to make them places where people want to be (EPR)
- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:	These are discretionary payments to the voluntary and community sector
Summary:	This report sets out proposals for one-off community grant payments for 2019/20.
Financial Implications:	This report sets out an indication of budget requirements to be considered as part of the wider corporate budget setting process.
Risk Management Implications:	<p>Providing funding to third-party organisations poses a risk that council funds will not be spent appropriately.</p> <p>These risks are substantially reduced by established monitoring mechanisms.</p>
Environmental Implications:	There are no environmental implications arising from this report
Legal Implications:	Written agreements are in place in relation to the grant funding provision.
Equality and Diversity:	An equality impact assessment has been carried out.
Options:	<ol style="list-style-type: none"> 1. Approve recommendations <ul style="list-style-type: none"> • clear budgetary requirements in preparation for budget setting 2. Do not approve recommendations <ul style="list-style-type: none"> • projects may not be deliverable in 2019/20 if there is a delay in the availability of funding

Recommendation:

- 1) The proposals related to the Council's service level agreements with the Community Associations and Food Bank, as identified in table 1, be endorsed for implementation in 2019/20, subject to budget setting;
- 2) the above service level agreements be reviewed during 2019;
- 3) the proposals related to the Council's funding of one-off community grants, as identified in table 4, be endorsed for implementation in 2019/20, subject to budget setting;
- 4) the changes to criteria, as outlined in section 3.3 be approved; and
- 5) any monies made available (including surpluses from 2018/19) from Public Health Warwickshire be utilised according to:
 - health and well-being priorities identified through the local joint strategic needs assessment work
 - transparent eligibility criteria to be agreed by Public Health, Rugby Health and Wellbeing Partnership and subsequently agreed by Cabinet.

Reasons for Recommendation: To ensure the effective use of the Council's community grant funds in 2019/20.

Cabinet - 3 December 2018

Service Level Agreements and one-off Community Grants for 2019/20

Public Report of the Head of Communities and Homes

Recommendation

- 1) The proposals related to the Council's service level agreements with the Community Associations and Food Bank, as identified in table 1, be endorsed for implementation in 2019/20, subject to budget setting;
- 2) the above service level agreements be reviewed during 2019;
- 3) the proposals related to the Council's funding of one-off community grants, as identified in table 4, be endorsed for implementation in 2019/20, subject to budget setting;
- 4) the changes to criteria, as outlined in section 3.3 be approved; and
- 5) any monies made available (including surpluses from 2018/19) from Public Health Warwickshire be utilised according to:
 - health and well-being priorities identified through the local joint strategic needs assessment work
 - transparent eligibility criteria to be agreed by Public Health, Rugby Health and Wellbeing Partnership and subsequently agreed by Cabinet.

1. BACKGROUND

The Council provides significant funding to the voluntary and community sector through its community grants programme. This is in the form of grant funding to community associations (linked to service level agreements) and the Foodbank, as well as a number of grant funds that organisations can bid into for one-off grant funding.

2. SERVICE LEVEL AGREEMENTS

In February 2018, Council agreed service level agreement grant funding allocations for the community associations and the Foodbank for 2018/19 as identified in table 1.

The service level agreements with the community associations have been in place since 2013, and it is recommended that this be continued into 2019/20, subject to budget availability. However, it is also recommended that a review of

the service level agreements be undertaken in 2019, to inform recommendations for 2020/21. This will ensure that funds for the voluntary and community sector continue to be targeted to where they are most needed and most effective.

Table 1:

	Service level agreements	current 2018/19	recommended for 2019/20
1.	Brownsover Community Association	£7,500	£7,500
2.	Overslade Residents' Association	£7,500	£7,500
3.	Benn Partnership Centre	£7,500	£7,500
4.	New Bilton Community Association	£7,500	£7,500
5.	Newbold Community Association	£7,500	£7,500
6.	Rugby Foodbank	£2,500	£2,500
	Total	£40,000	£40,000

3. ONE-OFF GRANTS

This report provides recommendations of proposals for the Council's one-off grant funds for 2018/19.

3.1 CURRENT LEVELS OF FUNDING FOR 2018/19

The current funding for 2018/19, is identified in table 2 below.

Table 2:

Grant Fund	Funds available 2017/18	Detail
Grants to Voluntary and Community Organisations	£20,410	One-off revenue grants up to £2,500
Rural Development Fund	£25,000	One-off revenue grants up to £10,000 – rural area only
Sports Grant	£6,000	One-off revenue grants up to £1,000
Youth and Play Grant	£6,000	One-off revenue grants up to £1,000
Arts Grant	£6,000	One-off revenue grants up to £1,000
Total	£63,410	

3.2 REVIEW OF COMMUNITY GRANTS PROCESS

The grants process has been reviewed by the Communities and Projects Manager, in consultation with:

- Other service managers, in respect of sports, youth and play and arts
- Warwickshire CAVA.

The aims of the review were to:

- identify opportunities for digitalising the application process
- increase the quality of applications received
- reduce the amount of officer time used in following up on incomplete applications
- increase efficiencies in the subsequent evaluation of applications
- make the process more transparent for customers
- improve the supporting information provided to the Grants Working Party to assist in their decision-making

In addition to this review, the grants programme has been audited as part of the Corporate Audit Programme for 2018/19. Recommendations arising from this have been when considered when making the recommendations in this report. It should be noted that this report provides only the material recommended amendments to the process, rather than the detail, which remains an operational issue.

3.3 SIGNIFICANT PROPOSED CHANGES TO THE ONE-OFF GRANTS APPLICATION PROCESS

It is proposed that:

1. the application process be a digital one. However, support will be available via WCAVA should access to broadband and similar be an issue for organisations wishing to apply.
2. If organisations do not have in place the required basic good practice documents, for example, memorandum and articles of association, signed constitution or set of rules they will not be able to continue with their application. Instead, they will be referred to WCAVA for support to become grant ready. The required documents are required in electronic format and should be attached to the application.
3. Incomplete applications will not be processed.

4. Applicants will also have to confirm that they will have in place the required insurance levels before drawing down grant. They will be required to indicate they either have this insurance in place already or have obtained quotes and have factored arranging and paying for this in to their project plan.
5. Applicants will also have to confirm that they have in place the required safeguarding policies (children and adults) before drawing down grant. They will be required to indicate that these are in place already or they are under development, as part of the application process. If this is not the case then the application cannot progress.

WCAVA have advised that:

- they are supportive of this approach
- if organisations are unable to provide the required documentation then they are not ready to deliver a project
- none of what the Council asks for during the grants application process is onerous or outside of the basics of good practice for an organisation to have in place

This increased pass / fail approach is likely to result in a reduced number of applications. However, those applications that are received will be of a higher quality.

6. Increased information be available to would-be applicants well-ahead of the grants process going live to help them plan for quality submissions. This will include guidance on:
 - what is required in terms of documentation and policies
 - what organisations should be doing now to be 'grant ready'
 - how support from WCAVA can be accessed
 - things to think about when planning a project, for example to seek early advice from Planning Officers and Building Control, where appropriate
7. The 5 current grants all have different application forms and criteria. It is proposed that there be a reduction down to 2 available grant streams, each with its own application form and criteria.
 - The Rural Development Fund
 - The Community Projects Grant

When applying for the Community Projects stream, applicants will be prompted to choose, as part of the digitised process, what funding pot they are applying for under that stream, e.g. sports or arts.

8. The Rural Development Fund, is important as it helps to address the relative lack of facilities in the rural areas. The current match funding requirements, outlined in table 3, are based on parish size, and are often a source of dispute as there is no clarity as to how this figure is arrived at. To ensure consistency, transparency and remove subjectivity, it is proposed that the parish size confirmed by the Census 2011 be the figure applied.

Total Project Cost	Population greater than 1,000 50% Funding	Population from 501-1,000 65% Funding	Population from 300-500 75% Funding	Population less than 300 100% Funding
£	£	£	£	£
1,000	500	650	750	1,000
2,000	1,000	1,300	1500	2,000
3,000	1,500	1,950	2250	3,000
4,000	2,000	2,600	3000	4,000
5,000	2,500	3,250	3750	5,000
6,000	3,000	3,900	4500	6,000
7,000	3,500	4,550	5250	7,000
8,000	4,000	5,200	6000	8,000
9,000	4,500	5,850	6750	9,000
10,000	5,000	6,500	7500	10,000
11,000	5,500	7,150	8250	10,000
12,000	6,000	7,800	9000	10,000
13,000	6,500	8,450	9750	10,000
14,000	7,000	9,100	10000	10,000
15,000	7,500	9,750	10000	10,000
16,000	8,000	10,000	10000	10,000
17,000	8,500	10,000	10000	10,000
18,000	9,000	10,000	10000	10,000
19,000	9,500	10,000	10000	10,000
20,000	10,000	10,000	10000	10,000

9. The Community Projects Grant would be an amalgamation of the current grants to voluntary and community organisations, arts, sports, youth and play into one fund, with common eligibility criteria.

Projects will still be identifiable by type, ensuring that the resulting funding can still be equitably split between community organisations, arts, sports, youth and play.

Under the current funding arrangement, the maximum amount for a grant to a community and voluntary organisation is £2,500, the maximum for sports, arts, youth and play is £1,000. It is proposed to have a maximum of £2,000 for a Community Projects Grant.

10. The anticipated opening date for grants applications for 2019/20 will be 4 February 2019. The amount of funding available will not formally be agreed until later that month, as part of the wider corporate budget setting process. This is not an issue that will prevent organisations from preparing their submissions. The closing date for the receipt of applications be earlier than in previous years, at the end of March 2019 to give additional time for the required due diligence to inform recommendations for consideration by Grants Working Party in May ahead of referral to Cabinet in June. This will allow

grants to be allocated to support the delivery of projects over the summer months.

Again, WCAVA have confirmed their support for this simplified process of only two grants. They have also agreed that this simplified process lends itself better to digitalisation.

3.4 PROPOSED ONE-OFF GRANT FUNDING FOR 2019/20

The proposed funds for each of the one-off grants for 2019/20, based on current and previous year figures, are identified in table 4 below. It should be noted that by amalgamating 4 grants into the single Community Projects Grant stream, it is proposed that funding remains the same as for 2018/19.

The availability of funding will be subject to corporate budget setting by Council in February 2019.

Table 4:

Grant Fund	Proposal 2019/20	Detail
Community Projects Grant	£38,410	<p>One-off revenue grants up to a maximum of £2,000.</p> <p>The £38,410 will be split along the lines of the 2018/19 allocation:</p> <p>£20,410 – Voluntary & Community Organisations £6,000 - Sports £6,000 – Youth and play £6,000 – Arts</p>
Rural Development Fund	£25,000	<p>one-off revenue grants up to £10,000</p> <p>match-funding requirements defined by parish size as at the Census 2011:</p> <p>population less than 300 = 100% grant eligible with nil match funding requirement</p> <p>population 301-500 = 75% grant eligible with a match funding requirement of 25%</p> <p>population 501-1,000 = 65% grant eligible with a match funding requirement of 35%</p> <p>population of 1,000 plus = 50% grant eligible with a match funding requirement of 50%</p>
Total	£63,410	

3.5 PUBLIC HEALTH GRANTS

Subject to availability, the Council does currently administer grants on behalf of Public Health Warwickshire. In 2018/19 this was £20,000 of which only £5,000 was allocated through the grants process. The resulting surplus is then used for project delivery according to local health and wellbeing priorities agreed through the Rugby Health and Wellbeing Partnership in collaboration with Public Health and the Portfolio Holder for Communities and Homes.

The criteria laid down by Public Health has been very focused and this contributes to the low number of applications, with few of these meeting Public Health's requirements. It is therefore proposed that any underspend from 2018/19 monies, along with any future allocation from Public Health instead be utilised for project delivery according to:

- health and wellbeing priorities identified through the local joint strategic needs assessment work
- transparent eligibility criteria to be agreed by Public Health, Rugby Health and Wellbeing Partnership and subsequently agreed by Cabinet.

Name of Meeting: Please select

Date of Meeting: 5 November 2018

Subject Matter: Community grants and Service Level Agreement Funding 2019/20

Originating Department: Communities and Homes

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

AGENDA MANAGEMENT SHEET

Report Title: Statement of Gambling Policy

Name of Committee: Cabinet

Date of Meeting: 3 December 2018

Report Director: Head of Environment and Public Realm

Portfolio: Environment and Public Realm

Ward Relevance: All Wards

Prior Consultation: Licensing and Safety Committee and public consultation

Contact Officer: Ian Rushton, Licensing Officer Tel: 01788 533855

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:	The Gambling Act 2005 places a duty on the Council to publish a Gambling Policy on which licensing decisions will be based. The policy must be reviewed every three years.
Summary:	The policy has been reviewed and a consultation exercise has taken place as required. Cabinet is asked to approve the Policy for submission to Council.
Financial Implications:	There are no financial implications arising from this report.
Risk Management Implications:	The Policy must be reviewed every three years.
Environmental Implications:	There are no environmental implications.
Legal Implications:	<p>The Council must review and re-publish the policy to come into effect on 31 January 2019. Failure to do so could lead to a legal challenge which would have a negative impact, both financially and to the Council's reputation.</p> <p>Any decisions taken by the Council on gambling issues must be by reference to its Gambling Policy and therefore a policy must be in place as legally required.</p>
Equality and Diversity:	There are no equality and diversity implications.
Options:	To approve the Gambling Policy for adoption by Council.
Recommendation:	IT BE RECOMMENDED TO COUNCIL THAT the Gambling Policy, as at Appendix 1 to the report, be adopted with effect from 31 January 2019 for a three-year period.
Reasons for Recommendation:	The review and approval of the Gambling Policy is a statutory requirement.

Agenda No 13

Cabinet - 3 December 2018

Statement of Gambling Policy

Public Report of the Head of Environment and Public Realm

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT the Gambling Policy, as at Appendix 1 to the report, be adopted with effect from 31 January 2019 for a three-year period.

1. Background

- 1.1 Section 349 of the Gambling Act 2005 (the Act) requires the Council to review its Statement of Gambling Policy - Statement of Principles (the Policy) every three years. The current policy has effect until 30 January 2019 so a new Policy must be in place by then.
- 1.2 The principles of the Gambling Policy remain the same and the policy is centred around the three licensing objectives specified in the Act namely;
 - Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
 - Ensuring that gambling is conducted in a fair and open way, and;
 - Protecting children and other vulnerable persons from being harmed or exploited by gambling.
- 1.3 A 'vulnerable person' is defined by the Act as including people who gamble more than they want to, people who are gambling beyond their means, and people who may not be able to make informed or balanced decisions about gambling due to a mental impairment, alcohol or drugs.

2. The draft policy and consultation

- 2.1 Prior to publishing the Policy, the Licensing Authority is required to consult, and a full consultation exercise ran from 20 July to 12 October 2018. The draft Policy was made available on the Council's website, and notification of the consultation was sent to a wide range of organisations including;

Responsible authorities;

The Police, Fire Service, Environmental Health, Planning, Children's Services, HMRC, and the Gambling Commission.

Other interested parties;

Trade organisations
Parish Councils;
Licensed premises in the area;
Organisations such as Gamcare and Gamblers Anonymous;
Rugby Disability Forum.

- 2.2 Only one response, from the Gambling Commission, was received and the draft Policy was amended accordingly.
- 2.3 Licensing and Safety Committee considered the response from the Gambling Commission and the revised draft Policy at its meeting on 6 November 2018 and resolved to recommend to Cabinet to recommend to Council that the Gambling Policy be adopted with effect from 31 January 2019 for a three-year period.
- 2.4 A copy of the draft Policy is attached at Appendix 1. The policy complies with the Gambling Commission's guidance and regulations and was prepared in conjunction with the other Warwickshire District Councils and Coventry City Council to aim for greater consistency.
- 2.5 The fact that there are no major proposed changes to the policy, and that there was a limited response to the consultation, generally reflects the position in other Authorities in the region, and around the country.

Name of Meeting: Cabinet
Date of Meeting: 3 December 2018
Subject Matter: Statement of Gambling Policy
Originating Department: Environment and Public Realm

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
1	Gambling Act 2005 https://www.legislation.gov.uk/ukpga/2005/19/contents
2	Gambling Commission and Statutory Guidance https://www.gamblingcommission.gov.uk/PDF/GLA5.pdf

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX 1



Gambling Act 2005

Gambling Policy
Statement of Principles
2019/2022

Approved by Full Council on 13 December 2018

Policy effective from 31 January 2019 to 30 January 2022

Important Note

In producing this Statement of Gambling Policy the Authority is aware that the Government may amend the Gambling Act 2005, subordinate legislation and statutory guidance.

Readers of this document advised to check on the Gambling Commission/Gov.uk websites to ensure they have the latest information.

Rugby Borough Council

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GAMBLING ACT 2005

GAMBLING POLICY STATEMENT OF PRINCIPLES

1. Introduction

1.1 Rugby Borough Council, as the Licensing Authority (referred to in this Statement as “the Authority”), makes this Statement of Principles in pursuance of its powers and duties under section 349 of the Gambling Act 2005 (referred to in this Statement as “the Act”) and sets out the Authority’s approach in dealing with its responsibilities under the Act.

1.2 The Borough of Rugby covers an area of 138 square miles located in central England, within the County of Warwickshire. The Borough is on the eastern edge of the West Midlands Region, bordering directly on to the counties of Northamptonshire and Leicestershire, both of which are in the East Midlands Region. The Borough has 41 parishes and the largest centre of population is the attractive town of Rugby with two thirds of the Borough’s 105,291 residents living in the town and the remainder residing in the rural area. The villages in the Borough range in size from 20 to 3,000 people.

1.3 List of Consultees

The Authority has consulted the following on the content of this Statement of Principles:

- Responsible Authorities
- Holders of existing licences, permits and registrations
- Councillors and Parish Councils
- Representatives of businesses
- Representatives of persons carrying on gambling businesses in Rugby
- Local bodies representing consumers and tourism
- Local bodies representing vulnerable persons
- Departments within the Council with an interest in the licensing of gambling

The draft document was also made available on the Authority’s website.

1.4 In preparing this Statement, the Authority has had regard to the provisions of the Act, the Guidance issued by the Gambling Commission, Regulations made by the Secretary of State and responses to its consultations.

2. Gambling Act 2005

2.1 The Act specifies licensing objectives which are central to the regulatory regime, these are:

- preventing gambling from being a source of crime and disorder, being associated with crime or disorder, or being used to support crime;
 - ensuring that gambling is conducted in a fair and open way; and
 - protecting children and other vulnerable persons from being harmed or exploited by gambling.
- 2.2 In carrying out the licensing function under the Act, the Authority will aim to permit the use of premises for gambling as long as it is considered to be:
- in accordance with any relevant Codes of Practice issued by the Gambling Commission;
 - in accordance with any relevant Guidance issued by the Gambling Commission;
 - in accordance with this Statement of Principles; and
 - reasonably consistent with the licensing objectives.
- 2.3 The Act provides for 3 categories of licence:
- operating licences;
 - personal licences; and
 - premises licences.
- 2.4 The Authority will be responsible for issuing premises licences. The Gambling Commission will be responsible for issuing operating and personal licences.
- 2.5 This Statement will come into force on 31st January 2019 and will have effect until 30th January 2022, being kept under review and revised or amended as required following consultation.

3. Authorised Activities

- 3.1 'Gambling' is defined in the Act as either gaming, betting, or taking part in a lottery. Definitions of terms are as follows:
- gaming means playing a game of chance for a prize;
 - betting means making or accepting a bet on the outcome of a race, competition, or any other event, the likelihood of anything occurring or not occurring, or whether anything is true or not;
 - a lottery is where persons are required to pay in order to take part in an arrangement, during the course of which one or more prizes are allocated by a process which relies wholly on chance.
- 3.2 The main functions of the Authority are to:
- licence premises for gambling activities;
 - grant permits for gambling and gaming machines in clubs;
 - regulate gaming and gaming machines in alcohol licensed premises;
 - grant permits to family entertainment centres for the use of certain lower stake gaming machines;

- grant permits for prize gaming;
- consider notices given for the temporary use of premises for gaming;
- receive occasional use notices for betting at tracks; and
- register small societies lotteries.

3.3 Spread betting is regulated by the Financial Services Authority. Remote Gambling is dealt with by the Gambling Commission. The National Lottery is regulated by Gambling Commission.

4. General Statement of Principles

4.1 The Authority recognises the wide variety of premises which will require a licence or a permit. These include casinos, betting shops, bingo halls, pubs, clubs, amusement arcades and race tracks.

4.2 In carrying out its licensing functions the Authority will have regard to Guidance issued by the Gambling Commission.

4.3 The Authority will not seek to use the Act to resolve matters more readily dealt with under other legislation. This Statement of Principles will avoid duplication with other regulatory regimes wherever possible. In considering applications, and taking enforcement action, under the Gambling Act the Authority will have regard to the provisions of the Human Rights Act.

4.4 To ensure the licensing objectives are met the Authority will establish a close working relationship with the police, the Gambling Commission and other responsible authorities.

4.5 Premises licences granted must be reasonably consistent with the licensing objectives. With regard to these objectives, this Authority has considered the Gambling Commission's Guidance to local authorities. However, the overriding principle is that each application and the circumstances prevailing at each premises will be considered on their own individual merits. Other considerations such as moral or ethical objections to gambling are not valid reasons to reject applications for premises licences as they do not relate to the licensing objectives.

4.6 In its Guidance to Local Authorities the Gambling Commission suggests that Licensing Authorities should adopt a 'Local Area Profile'. A Local Area Profile is created by gathering information about a locality and highlighting any particular areas of concern within the locality.

4.7 Where evidence is submitted to the Licensing Authority identifying any areas of concern the Licensing Authority will produce a Local Area Profile separate to this statement. Once adopted, the Local Area Profile is intended to assist the Licensing Authority and Operators in identifying specific risks within the district.

5. Preventing gambling from being a source of crime and disorder; being associated with crime and disorder or being used to support crime

- 5.1 The Gambling Commission will play a leading role in preventing gambling from being a source of crime and will maintain rigorous licensing procedures that aim to prevent criminals from providing facilities for gambling, or being associated with providing such facilities. The Council has a specific duty under Section 17 of the Crime and Disorder Act 1998 to exercise its functions with regard to the likely effect of doing so on crime and disorder, and also to do all that it reasonably can to prevent crime and disorder in the area.
- 5.2 When applying to this Authority for a premises licence, the applicant will have to hold an operating licence from the Commission before a licence can be issued, so the Authority will not therefore be concerned with the suitability of the applicant. Where concerns about a person's suitability arise, the Authority will bring those concerns to the attention of the Commission. The Authority will have to be satisfied that the premises will not adversely affect the licensing objective and is compliant with the Commission's Guidance and Codes of Practice, and this Gambling Policy.
- 5.3 The Authority has had regard to the small number of existing premises licences and the small number of applications likely to be received. With this in mind it has not produced a local area profile at the time of publication of this Policy (should this change, then the Policy will be amended accordingly and the local area profile made available to applicants). Applicants will however be expected to have a good understanding of the local area in which they either operate, or intend to operate. The applicant will have to provide evidence that they meet the criteria set out in the Policy, and demonstrate that in operating the premises they will promote this objective. Operators need to be aware of how the operation of their premises may impact on this objective. The Authority will expect applicants to provide details of their crime prevention measures and any risk assessments that they have carried out.
- 5.4 To prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime, the Authority will apply the following criteria and take into account the following considerations, where relevant, in determining applications and reviews.

Criteria:

Whether the premises make or will make a contribution to the levels of crime and disorder and whether the applicant has demonstrated that he has, or intends to, implement sufficient controls to prevent the premises being a source of, and/or associated with crime or disorder, or being used to support crime, if the application is granted.

Considerations:

- Where an area is known for high levels of crime the Authority will consider carefully whether gambling premises are suitable to be located there, and whether additional conditions may be necessary,

such as the provision of CCTV, minimum levels of staffing and licensed door supervisors.

- Whether there is a history of crime or disorder associated with the premises or its use by those involved in crime to associate or dispose of the proceeds of crime.
- Whether the layout, lighting and fitting out of the premises have been designed so as to minimise conflict and opportunities for crime and disorder.
- Whether sufficient management measures are proposed or are in place to prevent the premises being a source of, or associated with crime or disorder, or used to support crime either as a place of association or to avoid being apprehended.
- The Authority will also consider the location of the premises in the context of this licensing objective. If an application is received in relation to premises that are in an area noted for particular problems with organised crime or a premises that have previously been a focus for antisocial behaviour, the Authority will expect applicants to demonstrate that they have sufficient measures in place to prevent or deter people involved from using their premises and will also consider conditions being put on the licence to promote this licensing objective.
- Whilst issues of nuisance are not included specifically in the gambling objectives and cannot be addressed via the Gambling Act, the Authority may consider, when making decisions on the applications for premises licences, that extreme instances of public nuisance and/or persistent public nuisance may constitute disorder and/or crime for the purposes of this objective.

6. Ensure Gambling is conducted in a fair and open way

6.1 Generally the Commission would not expect Licensing Authorities to become concerned with ensuring that gambling is conducted in a fair and open way as this will be a matter for either:

- (a) the management of the gambling business, and therefore subject to the operating licence; or
- (b) will be in relation to the suitability and actions of an individual and therefore subject to the personal licence.

6.2 In relation to the licensing of tracks the Authority's role will be different from other premises in that track operators will not necessarily have an operating licence. In those circumstances the premises licence may need to contain conditions to ensure that the environment in which betting takes place is suitable.

Criteria:

Whether the premises will operate measures that will ensure that the gambling activity is conducted in a fair and open way.

Considerations:

- Whether the layout, lighting and fitting out of the premises have been designed so as to ensure gambling is conducted in a fair and open way.
- Whether sufficient management measures are proposed or are in place to ensure that gambling is conducted in a fair and open way.
- Whether the management and operation of the premises is open and transparent.
- Whether the operators of the premises have been or will be fully cooperative with enforcement agencies.
- Whether the Commission's Codes of Practice have been complied with.

7. Protecting children and other vulnerable persons from being harmed or exploited by gambling

7.1 The Gambling Commission's Guidance states that one of the aims of this objective means preventing children from taking part in gambling (as well as restricting advertising so that gambling products are not aimed at or are, particularly attractive to children).

7.2 The Act and Gambling Commission Guidance do not define the term "vulnerable". For regulatory purposes the Commission states that it assumes "vulnerable" persons" includes:

- people who gamble more than they want to;
- people who are gambling beyond their means; and
- people who may not be able to make informed or balanced decisions about gambling due to a mental impairment, alcohol or drugs.

This is the definition the Authority will use in its consideration of applications.

7.3 This Authority will pay particular attention to any Codes of Practice, which the Gambling Commission issues in relation to specific premises. It will consider this licensing objective on a case-by-case basis, and where necessary add conditions to promote this objective.

7.4 To protect children and other vulnerable persons from being harmed or exploited by gambling, the Authority will apply the following criteria and take into account the following considerations, where relevant, in determining applications and reviews.

Criteria:

Whether there are appropriate measures in place to protect children and other vulnerable persons from being harmed or exploited by gambling.

Considerations:

- Whether the operator has a specific training programme for staff to ensure that they are able to identify children and vulnerable people and take appropriate action to promote this objective to exclude them from the premises or parts of the premises.
- If the premises is an adult only environment, whether the operator has taken effective measures to implement an appropriate proof of age scheme to ensure that no one under the age of 18 is admitted to the premises or restricted areas.
- Whether there is provision for self-barring schemes and provision of information leaflets/helpline numbers for organisations such as GamCare.
- Whether the layout, lighting and fitting out of the premises have been designed so as to not attract children and other vulnerable persons who might be harmed or exploited by gambling.
- Whether sufficient management measures are proposed or are in place to protect children and other vulnerable persons from being harmed or exploited by gambling.
- Whether any promotional material associated with the premises could encourage the use of the premises by children or young people.
- The Authority will also consider the location of the premises in the context of this licensing objective. If an application for a gambling premises is received for a location within a sensitive area or in close proximity to what are considered to be sensitive areas the Authority will expect applicants to demonstrate that they have sufficient and suitable control measures in place to promote this licensing objective.

8. Premises Licences

8.1 Section 150 of the Act permits the issue of premises licences authorising the provision of facilities at the following:

- casino premises;
- bingo premises;
- betting premises, including tracks and premises used by betting intermediaries;
- adult gaming centres;
- family entertainment centres.

8.2 Premises can be 'any place' but the Act prevents more than one premises licence applying to any one place. A single building could be subject to more

than one premises licence provided they are for different parts of the building and those parts can be genuinely regarded as being different 'premises'.

- 8.3 A particular requirement might be for entrances and exits from parts of a building covered by one or more licences to be separate and identifiable so that the separation of the premises is not compromised and that people are not allowed to 'drift' accidentally into a gambling area.
- 8.4 Where the Authority has concerns about the use of premises for gambling it will seek to address these through licence conditions wherever possible.
- 8.5 Other than an application for a betting premises licence in respect of a track, the Authority is not able to issue a premises licence unless the applicant holds the relevant operating licence from the Gambling Commission.
- 8.6 When considering applications for premises licences the Authority will not take into consideration either the expected 'demand' for facilities or the likelihood of planning permission being granted.
- 8.7 The Authority will maintain a register of premises licences issued and will ensure that the register is open for public inspection at all reasonable times.

9. Location

- 9.1 This Authority is aware that demand issues cannot be considered with regard to the location of premises either on a borough wide or more local scale. However, it considers that the location of gambling premises can be a major factor on the promotion of the licensing objectives. The Authority will pay particular attention to the suitability of a location for gambling activity in terms of the protection of children and vulnerable persons from being harmed or exploited by gambling, as well as issues of crime and disorder.
- 9.2 Operators are required to take into account any sensitive locations within close proximity to proposed gambling premises and provide the Authority with details of how they propose to mitigate and monitor any risks. Applications will not be granted in sensitive locations unless the relevant criteria have been met.
- 9.3 Applicants will have to clearly show that they have considered the potential impact of their proposed business on the licensing objectives and provide information on how they plan to reduce or remove any likely adverse impact on them. The supporting information may contain the following information:
- how the premises will restrict access to children, young people or other vulnerable persons;
 - whether a proof of age scheme is being used;
 - whether the appropriate number of security staff will be employed at appropriate times;
 - whether opening times will be set so that the premises are not open during school start and finish times;
 - details of procedures and staff training in place to identify vulnerable

persons such as problem gamblers, those who are inebriated through drink or drugs, etc.

This list is not mandatory, nor exhaustive, and is merely indicative of example measures.

- 9.4 The Authority will consider proposals for new gambling premises that are in close proximity to hostels or other accommodation or centres catering for vulnerable people, including those with mental disabilities or learning difficulties, and those with problem gambling or with alcohol or drug abuse problems, as very likely to adversely affect the gambling objectives.
- 9.5 Local risk assessments should show how vulnerable people, including people with gambling dependencies, are protected. The risk assessment should be kept at the premises and, as a minimum, the Council will require the local risk assessment to consider:
- The location of services for children such as schools, playgrounds, leisure/community centres, and other areas where children will likely gather;
 - premises licensed to sell alcohol, ATM cash dispensers;
 - The demographics of the area in relation to vulnerable groups
 - Whether the premises is in an area subject to high levels of crime and/or disorder.
- 9.6 It should be noted that each application will be decided on its own merits, but the onus will be upon the applicant to show how the potential concerns can be overcome.

10. Primary Activity

- 10.1 The primary activity of each premises licence type is specified on the premises licence when it is issued. The Authority will take decisions in accordance with the Commission's Guidance and Codes of Practice on primary gambling activity, and will have regard to the advice which it issues from time to time. Applicants are expected to operate premises in line with the Commission's Guidance and conditions on their Operator's Licence. The Authority will monitor the operation of premises and report any potential breach of operating licence conditions to the Commission. Applications for new premises licences, or to vary an existing licence, will be expected to be clear that the premises are intended to be used for the primary gambling activity proposed.
- 10.2 It should be noted that the Act does not permit a premises to be licensed for more than one gambling activity.

11. Responsible Authorities

- 11.1 These are generally public bodies that must be notified of all applications and who are entitled to make representations to the Authority if they are relevant to the licensing objectives.

11.2 Section 157 of the Act identifies the bodies that are to be treated as responsible authorities. In relation to the Authority's area, these are:

- The Authority itself
- The Gambling Commission;
- The chief officer of police/chief constable for the area in which the premises is wholly or partially situated
- The fire and rescue authority for the same area
- The local planning authority;
- An authority with functions in relation to pollution of the environment or harm to human health
- A body designated in writing by the authority as competent to advise about the protection of children from harm (see paragraphs 11.3 and 11.4 below)
- HM Revenue & Customs; and
- Any other person prescribed in regulations by the Secretary of State.

Section 211(4) provides that in relation to a vessel, but no other premises, responsible authorities also include navigation authorities within the meaning of section 221(1) of the Water Resources Act 1991 that have statutory functions in relation to the waters where the vessel is usually moored or berthed or any waters where it is proposed to be navigated at a time when it is to be used for licensable activities.

11.3 The Authority is required to set out the principles to be applied in exercising its powers to designate, in writing, a body which is competent to advise about the protection of children from harm. The principles applied in designating such a body are:

- the body must be responsible for covering the whole of the Authority's area: and
- the body should be answerable to democratically elected persons rather than any particular vested interest groups etc.

11.4 The Authority has designated Warwickshire County Council's Multi-Agency Commissioning Team as the local body competent to advise it on the protection of children from harm.

12. Interested Parties

12.1 Interested parties can make representations about licence applications, or apply for a review of an existing licence based on the principles detailed in section 2 of this policy statement.

An interested party is someone who:

- (a) lives sufficiently close to the premises to be likely to be affected by the authorised activities;
- (b) has business interests that might be affected by the authorised activities; or
- (c) represents persons in either of the two groups above.

12.2 The principles the Authority will apply to determine whether a person is an interested party are:

- Interested parties could include trade associations and trade unions, and residents' and tenants' associations. This Authority will not however generally view these bodies as interested parties unless they have a member who can be classed as an interested person under the terms of the Gambling Act 2005 e.g. lives sufficiently close to the premises or has business interests likely to be affected by the activities being applied for.
- Interested parties can be persons who are democratically elected such as Councillors and MPs. No specific evidence of being asked to represent an interested person will be required as long as the Councillor/MP represents the ward likely to be affected. Other than these persons, this Authority will require written evidence that a person 'represents' someone who either lives sufficiently close to the premises to be likely to be affected by the authorised activities and/or business interests that might be affected by the authorised activities. A letter from one of these persons, requesting the representation is sufficient.
- Each case will be decided upon its merits. This Authority will not apply a rigid rule to its decision making. It will consider the examples of considerations provided in the Gambling Commission's Guidance for local authorities.

12.3 If individuals wish to approach Councillors to ask them to represent their views then care should be taken that the Councillors are not part of the Licensing and Safety Committee dealing with the licence application, or in any other way have a personal interest that would preclude them from participating in a hearing. If there are any doubts then please contact the Licensing Team.

12.4 It should be noted that, unlike the Licensing Act, the Gambling Act does not include as a specific licensing objective the prevention of public nuisance. There is however other relevant legislation which deals with public nuisance.

13. Representations

13.1 The Authority is obliged to consider representations from 'responsible authorities' and 'interested parties' and must determine whether or not representations are admissible. A representation is inadmissible if not made by a responsible Authority or an interested party.

13.2 The only representations likely to be relevant are those that relate to the licensing objectives, or that raise issues under this Statement or the Commission's Guidance or Codes of Practice. The Authority must determine the relevance of the representation.

13.3 Any concerns that responsible authorities have in relation to their own functions cannot be taken into account if they are not relevant to the

application for a premises licence and the licensing objectives.

13.4 The Authority may, in certain circumstances, consider a representation to be either frivolous or vexatious. This will generally be a matter of fact given the circumstances of each individual case but before coming to a decision the Authority may consider the following:

- who is making the representation and whether there is a history of making representations that are not relevant;
- whether it raises a 'relevant' issue or not; or
- whether it raises issues specifically to do with the premises which are the subject of the application.

14. Conditions of Licence

14.1 Conditions imposed by the Authority may be general in nature by applying to all licences, or those of a particular type, or they may be specific to a particular licence.

14.2 The Authority will not generally impose conditions that limit the use of premises for gambling unless it is deemed to be necessary as a result of the requirement to act in accordance with the Gambling Commission's Guidance, any Codes of Practice issued by the Commission, this Statement of Principles or in a way that is reasonably consistent with the licensing objectives.

14.3 Any conditions imposed by the Authority will be proportionate to the circumstances they are intended to address. In particular, the Authority will ensure that any conditions are:

- relevant to the need to make the premises suitable as a gambling facility;
- directly related to the premises and the type of licence applied for;
- fairly and reasonably related to the scale and type of premises;
- reasonable in all other respects; and
- decided on a case by case basis.

14.4 The Authority will not consider imposing conditions:

- which make it impossible to comply with an operating licence condition imposed by the Gambling Commission;
- relating to gaming machine categories, numbers or method of operation;
- which specify that membership of a club or other body is required; and
- in relation to stakes, fees, winnings or prizes.

15. Casinos

15.1 The Authority has not passed a 'no casino' resolution under Section 166 of the Gambling Act 2005 but is aware that it has power to do so. Should the Authority decide to pass such a resolution, it will update this policy with details of the resolution.

16. Betting Premises

- 16.1 Anyone wishing to operate a betting office will require a betting premises licence from the Authority. Children and young persons will not be able to enter premises with a betting premises licence.
- 16.2 The Authority is aware of its power to restrict the number of betting machines, their nature and the circumstances in which they are made available by attaching a licence condition to a betting premises licence.
- 16.3 In the event that the Authority considers whether to impose such a condition on any particular licence it may, among other things, take into account the size of the premises, the number of counter positions available for person to person transactions, and the ability of staff to monitor the use of the machines.

17. Bingo

- 17.1 Licensing authorities will need to satisfy themselves that bingo can be played in any bingo premises for which they issue a premises licence. This will be a relevant consideration where the operator of an existing premises applies to vary their licence to exclude an area of the existing premises from its ambit and then applies for a new premises licence, or multiple licence, for that or those excluded areas.
- 17.2 Section 172(7) of the Act provides that the holder of bingo premises licences may make available for use a number of category B gaming machines for use on the premises.
- 17.3 This Authority also notes the Commission's Guidance in the unusual circumstances in which the splitting of pre-existing premises into two adjacent premises might be permitted. It is not permissible for all of the gaming machines to which each of the licenses brings an entitlement to be grouped together within one of the licensed premises.
- 17.4 Alcohol-licensed premises, clubs and miners welfare institutes wishing to provide high turnover bingo require a bingo operating licence from the Gambling Commission. 'High turnover' is defined as where the stakes or the aggregate of prizes for bingo played in any period of 7 days exceeds £2000.
- 17.5 The holder of a bingo operating licence will be able to provide any type of bingo game including cash and prize bingo.
- 17.6 Commercial bingo halls will require a bingo premises licence from the Authority.
- 17.7 Children and young people are allowed into bingo premises, however they are not permitted to participate in the bingo and if category B or C machines are made available for use these must be separated from areas where children and young people are allowed, local authorities will ensure that:

- all such machines are located in an area of the premises separate from the remainder of the premises by a physical barrier which is effective to prevent access other than through a designated entrance;
- only adults are admitted to the area where the machines are located;
- access to the area where the machines are located is supervised;
- the area where the machines are located is arranged so that it can be observed by staff of the operator or the licence holder; and
- at the entrance to, and inside any such area there are prominently displayed notices indicating that access to the area is prohibited to persons under 18.

18. Tracks

- 18.1 Only one premises licence can be issued for any particular premises at any time unless the premises is a 'track'. A track is a site where races or other sporting events take place.
- 18.2 Track operators are not required to hold an Operator's Licence granted by the Gambling Commission. Therefore, premises licences for tracks, issued by the Authority are likely to contain requirements for premises licence holders about their responsibilities in relation to the proper conduct of betting. Indeed, track operators will have an important role to play, for example in ensuring that betting areas are properly administered and supervised.
- 18.3 Although there will, primarily be a betting premises licence for the track there may be a number of subsidiary licences authorising other gambling activities to take place. Unlike betting offices, a betting premises licence in respect of a track does not give an automatic entitlement to use gaming machines.
- 18.4 When considering whether to exercise its power to restrict the number of betting machines at a track the Authority will consider the circumstances of each individual application and, among other things will consider the potential space for the number of machines requested, the ability of track staff to supervise the machines, especially if they are scattered around the site, and the ability of the track operator to prevent children and young persons and vulnerable people betting on the machines.

19. Temporary Use Notices

- 19.1 Temporary Use Notices allow the use of premises for gambling where there is no premises licence but where a gambling operator wishes to use the premises temporarily for providing facilities for gambling. Premises that might be suitable for a Temporary Use Notice, according to the Gambling Commission, would include hotels, conference centres and sporting venues.
- 19.2 The Authority can only accept a Temporary Use Notice from a person or company holding a relevant operating licence.
- 19.3 Regulations prescribed by the Secretary of State provide that Temporary Use Notices can only be used to permit the provision of facilities for equal chance

gaming where the gaming is intended to produce a single winner, for example games such as backgammon, cribbage, bingo and poker.

- 19.4 There are a number of statutory limits as regards temporary use notices. Gambling Commission Guidance is noted that "The meaning of "premises" in part 8 of the Act is discussed in Part 7 of the Gambling Commission Guidance. As with "premises", the definition of "a set of premises" will be a question of fact in the particular circumstances of each notice that is given. In the Act "premises" is defined as including "any place". In considering whether a place falls within the definition of "a set of premises", licensing authorities will need to look at, amongst other things, the ownership/occupation and control of the premises.
- 19.5 The Authority expects to object to notices where it appears that their effect would be to permit regular gambling in a place that could be described as one set of premises, as recommended in the Gambling Commission Guidance.

20. Occasional Use Notices

- 20.1 The Authority has very little discretion as regards these notices aside from ensuring that the statutory limit of 8 days in a calendar year is not exceeded. The Authority will though need to consider the definition of a 'track' and whether the applicant is permitted to avail him/herself of the notice.

21. Gaming Machines

- 21.1 A machine is not a gaming machine if the winning of a prize is determined purely by the player's skill. However, any element of 'chance' imparted by the action of the machine would cause it to be a gaming machine.
- 21.2 The Authority is aware of its power to restrict the number of gaming machines in certain circumstances. In the event that the Authority considers whether to impose such a restriction on any particular permit it may, among other things, take into account the size of the premises and the ability of staff to monitor the use of the machines by children and young persons or by vulnerable persons.
- 21.3 The Authority will be unable to issue premises licences to authorise gaming machines in certain types of premises. These generally will be premises to which children and vulnerable people will have unrestricted access and would include take-away premises, taxi offices, supermarkets etc.

22. Unlicensed Family Entertainment Centre (FEC) Gaming Machine Permits

- 22.1 Where a premises does not hold a Premises Licence but wishes to provide gaming machines, it may apply to the Authority for this permit. It should be noted that the applicant must show that the premises will be wholly or mainly used for making gaming machines available for use.
- 22.2 The Gambling Act 2005 states that the Authority may "prepare a statement of principles that they propose to consider in determining the suitability of an applicant for a permit" and in preparing this statement, and/or considering applications, it need not (but may) have regard to the licensing objectives and

shall have regard to any relevant Guidance issued by the Commission under section 25. The Gambling Commission's Guidance also states that in their three year licensing policy statement, licensing authorities may include a statement of principles that they propose to apply when exercising their functions in considering applications for permits and licensing authorities will want to give weight to child protection issues.

22.3 Guidance also states that an application for a permit may be granted only if the Authority is satisfied that the premises will be used as an unlicensed FEC, and if the chief officer of police has been consulted on the application, licensing authorities may wish to consider asking applications to demonstrate:

- A full understanding of the maximum stakes and prizes of the gambling that is permissible in unlicensed FECs;
- That the applicant has no relevant convictions (those that are set out in the Act); and
- That staff are trained to have a full understanding of the maximum stakes and prizes.

22.4 It should be noted that the Authority cannot attach conditions to this type of permit.

22.5 This Authority has adopted a Statement of Principles that is available from the Licensing Section or on the Authority's website (www.rugby.gov.uk). Potential applicants / other interested persons are advised to read the Statement of Principles before applying to the Authority for a licence or permit.

22.6 With regard to renewals of these permits, the Authority may refuse an application for renewal of a permit only on the grounds that an authorised local authority officer has been refused access to the premises without reasonable excuse, or that renewal would not be reasonably consistent with pursuit of the licensing objectives.

23. (Alcohol) Licensed Premises Gaming Machine Permits

23.1 There is provision in the Act for premises licensed to sell alcohol for consumption on the premises, to automatically have 2 gaming machines, of categories C and/or D. The premises merely need to notify the Authority. The Authority can remove the automatic authorisation in respect of any particular premises if:

- provision of the machines is not reasonably consistent with the pursuit of the licensing objectives;
- gaming has taken place on the premises that breaches a condition of section 282 of the Gambling Act (i.e. that written notice has been provided to the Authority, that a fee has been provided and that any relevant code of practice issued by the Gambling Commission about the location and operation of the machine has been complied with);
- the premises are mainly used for gaming; or
- an offence under the Gambling Act has been committed on the premises

- 23.2 If a premises wishes to have more than 2 machines, then it needs to apply for a permit and the Authority must consider that application based upon the licensing objectives, any Guidance issued by the Gambling Commission issued under section 25 of the Gambling Act 2005, and “*such matters as they think relevant.*”

This Authority considers that “such matters” will be decided on a case by case basis but generally there will be regard to the need to protect children and vulnerable persons from harm or being exploited by gambling, and will expect the applicant to satisfy the Authority that there will be sufficient measures to ensure that under 18 year olds do not have access to the adult only gaming machines. Measures which will satisfy the Authority that there will be no access may include the adult machines being in sight of the bar, or in the sight of staff who will monitor that the machines are not being used by those under 18. Notices and signage may also be help. As regards the protection of vulnerable persons applicants may wish to consider the provision of information leaflets / helpline numbers for organisations such as GamCare.

- 23.3 It is recognised that some alcohol-licensed premises may apply for a premises licence for the use of gaming machines in their non-alcohol licensed areas. Any such application would need to be applied for, and dealt with as an Adult Gaming Centre premises licence.
- 23.4 It should be noted that the Authority can decide to grant the permit application with a smaller number of machines and/or a different category of machines than that applied for. Conditions (other than these) cannot be attached.
- 23.5 It should also be noted that the holder of a permit must comply with Gaming Machines in Alcohol Licensed Premises Code of Practice issued by the Gambling Commission about the location and operation of the machine(s).

24. Prize Gaming Permits

- 24.1 The Gambling Act 2005 states that the Authority may "prepare a statement of principles that they propose to apply in exercising their functions under this Schedule" which "may, in particular, specify matters that the Authority propose to consider in determining the suitability of the applicant for a permit".
- 24.2 This Authority has adopted a Statement of Principles that is available from the Licensing Section or on the Authority's website (www.rugby.gov.uk). Potential applicants / other interested persons are advised to read the Statement of Principles before applying to the Authority for a licence or permit.
- 24.3 In making its decision on an application for this permit the Authority does not need to but may have regard to the licensing objectives but must have regard to any Gambling Commission Guidance.
- 24.4 It should be noted that there are conditions in the Gambling Act 2005 with which the permit holder must comply, but the Authority cannot attach conditions. The conditions in the Act are:

- the limits on participation fees, as set out in regulations, must be complied with;
- all chances to participate in the gaming must be allocated on the premises on which the gaming is taking place and on one day; the game must be played and completed on the day the chances are allocated; and the result of the game must be made public in the premises on the day that it is played;
- the prize for which the game is played must not exceed the amount set out in regulations (if a money prize), or the prescribed value (if non-monetary prize); and
- participation in the gaming must not entitle the player to take part in any other gambling.

25. Club Gaming and Club Machine Permits

25.1 Members' clubs and miners' welfare institutes (but not commercial clubs) may apply for a Club Gaming Permit or a Club Gaming Machine Permit. The Club Gaming Permit will enable the premises to provide gaming machines (3 machines of categories B, C or D), equal chance gaming and games of chance as set-out in regulations. A Club Gaming Machine Permit will enable the premises to provide gaming machines (3 machines of categories B, C or D).

25.2 Members' clubs must have at least 25 members and be established and conducted "wholly or mainly" for purposes other than gaming, unless the gaming is permitted by separate regulations. It is anticipated that this will cover bridge and whist clubs, which will replicate the position under the Gaming Act 1968. A members' club must be permanent in nature, not established to make commercial profit, and controlled by its members equally. Examples include working men's clubs, branches of Royal British Legion and clubs with political affiliations.

25.3 Licensing authorities may only refuse an application on the grounds that:

- the applicant does not fulfil the requirements for a members' or commercial club or miners' welfare institute and therefore is not entitled to receive the type of permit for which it has applied;
- the applicant's premises are used wholly or mainly by children and/or young persons;
- an offence under the Act or a breach of a permit has been committed by the applicant while providing gaming facilities;
- a permit held by the applicant has been cancelled in the previous ten years; or
- an objection has been lodged by the Commission or the police.

25.4 It should be noted that there is a 'fast-track' procedure available for premises which hold a Club Premises Certificate under the Licensing Act 2003. The Gambling Commission's Guidance for local authorities states: "Under the fast-track procedure there is no opportunity for objections to be made by the Commission or the police, and the grounds upon which an Authority can

refuse a permit are reduced". The grounds on which an application under the process may be refused are:

- that the club is established primarily for gaming, other than gaming prescribed under schedule 12;
- that in addition to the prescribed gaming, the applicant provides facilities for other gaming; or
- that a Club Gaming Permit or Club Machine Permit issued to the applicant in the last ten years has been cancelled.

25.5 There are statutory conditions on Club Gaming Permits that no child uses a category B or C machine on the premises and that the holder complies with any relevant provision of a code of practice about the location and operation of gaming machines.

26. Lotteries

26.1 In carrying out its functions in relation to Lotteries, the Authority will have regard to the Act, any Guidance issued by the Commission from time to time and any Regulations issued by the Secretary of State.

26.2 The Act makes it illegal to promote lotteries unless they are licensed or within an exempt category. One such exemption relates to registered small society lotteries and the Authority is responsible for registering small society lotteries, which are promoted by non-commercial organisations that are established for:

- charitable purposes;
- for the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity; or
- any other non-commercial purpose other than that of private gain.

27. Exchange of Information

27.1 The principle that the Authority will apply in respect of the exchange of information between it and the Gambling Commission and those bodies listed in Schedule 6 of the Act is that it will act in accordance with the provisions of the Gambling Act 2005, which includes the provision that the Data Protection Act 1998 will not be contravened. The Authority will also have regard to any Guidance issued by the Gambling Commission to local authorities on this matter, as well as any relevant regulations issued by the Secretary of State.

28. Enforcement

28.1 The Authority will liaise with the Gambling Commission and other enforcing authorities on enforcement issues and will look to carry out joint inspections. The targeting of resources towards high-risk premises and activities that require greater attention will provide a more efficient deployment of the Authority's officers and other officers that are commonly engaged in enforcing gambling law and inspection of licensed premises. A lighter touch will apply in respect of low risk premises, which are well run.

28.2 The Authority's approach to enforcement will be based on identified risk and will take into account:

- relevant Codes of Practice;
- Guidance issued by the Gambling Commission;
- the licensing objectives;
- the principles set out in this statement of gambling policy.

28.3 In general, action will only be taken in accordance with the principles of the Regulators' Code, the Authority's Enforcement Policy and the relevant provisions of the Regulatory Enforcement and Sanctions Act 2008. To this end the key principles of consistency, transparency and proportionality will be maintained.

28.4 The Authority will also be guided by the Gambling Commission's Guidance for local authorities and will endeavour to be:

- **Proportionate:** regulators should only intervene when necessary: remedies should be appropriate to the risk posed, and costs identified and minimised;
- **Accountable:** regulators must be able to justify decisions, and be subject to public scrutiny;
- **Consistent:** rules and standards must be joined up and implemented fairly;
- **Transparent:** regulators should be open, and keep regulations simple and user friendly; and
- **Targeted:** regulation should be focused on the problem, and minimise side effects

28.5 In accordance with the Gambling Commission Guidance to licensing authorities the Authority will endeavour to avoid duplication with other regulatory regimes as far as possible.

28.6 The main enforcement and compliance role for this Authority in terms of the Gambling Act 2005 will be to ensure compliance with the Premises Licences and other permissions, which it authorises. The Gambling Commission will be the enforcement body for the Operator and Personal Licences. It is also worth noting that concerns about manufacture, supply or repair of gaming machines will not be dealt with by the Authority but will be notified to the Gambling Commission.

29. The Licensing Process

29.1 The powers of the Council as the Licensing Authority under the Act may be carried out by the Licensing and Safety Committee, by a Sub-Committee or, instead, by one or more Council officers acting under delegated Authority. The Council has adopted the following scheme of delegation:

Matters to be dealt with	Full Council	Licensing and	Licensing and Safety Committee or	Officers
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	Safety Commit tee	appointed sub- committee	
Three year Gambling Policy	X		
Policy not to permit casinos	X		
Fee Setting – when appropriate	X		
Application for premises licence		Where representations have been received and not withdrawn	Where no representations received/representa tions have been withdrawn
Application for a variation to a licence		Where representations have been received and not withdrawn	Where no representations received/representa tions have been withdrawn
Application for a transfer of a licence		Where representations have been received and not withdrawn	Where no representations received/representa tions have been withdrawn
Application for a provisional statement		Where representations have been received and not withdrawn	Where no representations received/representa tions have been withdrawn
Application to review premises licence/club premises certificate		X	
Application for club gaming/club machine permits		Where objections have been made and not withdrawn.	Where no objections made/objections have been withdrawn
Cancellation of club gaming/club machine permits		X	
Applications for other permits/registr			X

ation of small society lotteries		
Cancellation of licensed premises gaming machine permits		X
Consideration of temporary use notice		X
Decision to give a counter notice to a temporary use notice	X	

29.2 Application forms will be in the format prescribed by regulations. The form will need to contain information that describes the gambling activities to be provided, the operational procedures, hours, nature of the location, needs of the local community, etc. Most importantly, the applicant will have to detail the steps that will be taken to promote the three licensing objectives. From 6th April 2016 applicants should carry out a risk assessment before they apply for a premises licence or to vary a premises licence.

29.3 Applicants are encouraged to fully consult the Police and other responsible authorities well in advance of submitting their applications. Application forms and guidance leaflets will be available from the Authority, including contact names for each of the responsible authorities that will be receiving applications. Most applications will require additional documentation and a fee to be included with the form. Incomplete applications will not be considered and will be returned to the applicant.

29.4 The Act requires licensing authorities to maintain a register of premises licences issued. The register must be available at any reasonable time to the public, who can request copies of the entries. The register will be located at:

Rugby Borough Council
Town Hall
Evreux Way
Rugby
CV21 2RR

30. Licence Reviews

30.1 Requests for a review of a premises licence can be made by interested parties or responsible authorities. Requests for reviews must be relevant and the Authority will determine each request on its merits as to whether a review should be carried out. The Authority can also initiate a review of a particular premises licence if appropriate.

- 30.2 Once a valid application for a review has been received by the Authority, representations can be made by responsible authorities and interested parties during a 28 day period. This period begins 7 days after the application was received by the Authority. The review will be carried out as soon as possible after the 28 day period for making representations has passed.
- 30.3 The purpose of the review will be to determine whether the Authority should take any action in relation to the licence including adding, removing or amending licence conditions, suspending the premises licence for a period not exceeding three months, or revoking the premises licence. In determining what action, if any, should be taken, the Authority will have regard to the principles set out in section 153 of the Act, as well as any relevant representations.

ANNEX 1

GAMING MACHINE DEFINITION TABLES

1. The following table summarises the category and number of machines available per premise type:

Premise Type	Machine category						
	A	B1	B2	B3 B3A	B4	C	D
Regional casino (table/ machine ratio of 25-1 up to maximum)	Maximum of 1250 machines Any combination of machines in categories A to D, within the total limit of 1250 (subject to table ratio) <i>not to include B3A</i>						
Large casino (table/ machine ratio of 5-1 up to maximum)		Maximum of 150 machines Any combination of machines in categories B to D, within the total limit of 150 (subject to table ratio) <i>not to include B3A</i>					
Small casino (table/ machine ratio of 2-1 up to maximum)		Maximum of 80 machines Any combination of machines in categories B to D, within the total limit of 80 (subject to table ratio) <i>not to include B3A</i>					
Pre-2005 Act casinos (no table/ machine ratio)		Maximum of 20 machines categories B to D or C or D machines instead <i>not to include B3A</i>					
Betting premises and tracks occupied by Pool Betting			Maximum of 4 machines categories B2 to D <i>not to include B3A</i>				
Bingo Premises				Maximum of 20% of the total number of gaming machines which are available for use on the premises categories B3 or B4*	No limit C or D machines <i>not to include B3A</i>		
Adult gaming centre				Maximum of 20% of the total number of gaming machines which are available for use on the premises categories B3 or B4*	No limit C or D machines <i>not to include B3A</i>		
Family entertainment centre (with premises licence)						No limit on Category C or D machines <i>not to include B3A</i>	
Family entertainment centre (with permit)						No limit on Category D machines <i>not to include B3A</i>	
Clubs or miners' welfare institutes with permits				Maximum of 3 machines in categories B3A, B4, C and D			
Qualifying alcohol licensed premises						1 or 2 machines of category C or D automatic upon notification	

Qualifying alcohol licensed premises with gaming machine permit						Number as specified on permit	
Travelling fair						No Limit on Category D machines	
	A	B1	B2	B3 B3A	B4	C	D

**AGC/Bingo premises are entitled to make available a number of Category B3/B4 gaming machines not exceeding 20% of the total number of gaming machines which are available for use on the premises.*

AGC/Bingo premises in existence before 13 July 2011 are entitled to make available four category B3/B4 gaming machines in respect of AGCs and eight in respect of Bingo premises, or 20% of the total number of gaming machines, whichever is the greater.

AGC/Bingo premises licences granted on or after 13 July 2011 but before 1 April 2014 are entitled to a maximum of four category B3/B4 gaming machines in respect of AGCs and eight in respect of Bingo premises, or 20% of the total number of gaming machines, whichever is the greater; from 1 April 2014 these premises will be entitled to 20% of the total number of gaming machines only.

2. The following table summarises the definitions of the category of machines available:

Category of machine	Maximum stake	Maximum prize
A	Unlimited	Unlimited
B1	£5	£10,000*
B2	£100 (in multiples of £10)	£500
B3A	£2	£500
B3	£2	£500
B4	£2	£400
C	£1	£100
D - non-money prize (other than a crane grab machine)	30p	£8
D - non-money prize (crane grab machine)	£1	£50
D (money prize)	10p	£5
D - combined money and non-money prize (other than a coin pusher or penny falls machine)	10p	£8 (of which no more than £5 may be a money prize)
D - combined money and non-money prize (coin pusher or penny falls machine)	20p	£20 (of which no more than £10 may be a money prize)

*with option of maximum £20,000 linked progressive jackpot on premises basis only