Public Document Pack

25 January 2019

To: Councillors Benson, Blackburn, Cain, Campbell, Cross, Jackson, Kirkland, Smith, I Taylor and Mrs Wright

The above members are requested to attend the:

EXECUTIVE

Monday, 4 February 2019 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

ADMISSION OF THE PUBLIC TO COMMITTEE MEETINGS

The Head of Democratic Governance has marked with an asterisk (*) those items where the Committee may need to consider whether the public should be excluded from the meeting as the items are likely to disclose exempt information.
The nature of the exempt information is shown in brackets after the item.

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned either a

(a) personal interest
(b) prejudicial interest
(c) disclosable pecuniary interest (DPI)

and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2018/19 (Pages 1 - 4)

	3	**GENERAL FUND REVENUE BUDGET 2019/20**	(Pages 5 - 10)
	4	**CAPITAL STRATEGY 2019/20 TO 2021/22**	(Pages 11 - 30)
	5	**CAPITAL PROGRAMME 2019/20 TO 2021/22**	(Pages 31 - 36)
	6	**TREASURY MANAGEMENT STRATEGY 2019/20**	(Pages 37 - 42)
	7	**PROPOSED RENT REVIEW 2019/20**	(Pages 43 - 48)
*	8	**BUSINESS LOANS FUND**	(Pages 49 - 56)

(This item to be considered in private by virtue of Paragraph 3 of Schedule 12a of the Local Government Act 1972 as the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information))

It is considered on balance that the public interest would not be served by publishing the information as it could prejudice the proposed investment.

Notification has been given on the 4 January 2019 that this item was to be considered in private and no representations have been received in response to this notification.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Lennox Beattie, Executive and Regulatory Manager, Tel: (01253) 477157, e-mail lennox.beattie@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

Report to:	**EXECUTIVE**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Simon Blackburn, Leader of the Council
Date of Meeting:	4 February 2019

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 9 2018/19

1.0 Purpose of the report:

1.1 The level of spending against the Council's Revenue and Capital budgets for the first 9 months to 31 December 2018.

2.0 Recommendation(s):

2.1 To note the report.

2.2 To continue to lobby Government (HM Treasury, Ministry of Housing, Communities and Local Government and the Department for Education in particular) along with local authority peers, the Local Government Association and the Association of Directors of Children's Services for more funding to cope with the mounting demand and new burdens presenting in Children's Services.

2.3 To require the respective directors and Director of Resources to continue to closely monitor and manage service financial and operational performances, specifically Children's Services, Strategic Leisure Assets and Parking Services.

3.0 Reasons for recommendation(s):

3.1 To ensure financial performance against the Council's Revenue and Capital Budget is kept under review by members.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

4.1 The relevant Council Priority is: "The economy: Maximising growth and opportunity across Blackpool".

5.0 Background Information

5.1 See reports and appendices circulated to members under separate cover.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Report
Appendix 1 - Revenue Summary
Appendix 2 - Schedule of Service forecast overspendings
Appendix 3a - Chief Executive
Appendix 3b - Governance and Partnership Services
Appendices 3b/c - Ward Budgets
Appendix 3d - Resources
Appendix 3e – Communications and Regeneration
Appendix 3f - Strategic Leisure Assets
Appendix 3g - Community and Environmental Services
Appendix 3h - Adult Services
Appendix 3i - Children's Services
Appendix 3j - Public Health
Appendix 3k - Budgets Outside the Cash Limit
Appendix 4 - Capital Monitoring
Appendix 5 - Cash Flow Summary
Appendix 6 - General Fund Balance Sheet Summary

(All circulated to members under separate cover)

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 See reports and appendices circulated to members under separate cover.

8.0 Equalities considerations:

8.1 An Equalities Impact Assessment was produced as a part of the budget setting process and remains relevant.

9.0 Financial considerations:

9.1 See reports and appendices circulated to members under separate cover.

10.0 Risk management considerations:

10.1 Impact of financial performance on Council balances. Financial performance against approved Revenue and Capital budgets.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 None.

13.0 Background papers:

13.1 None.

14.0 Key decision information:

14.1 Is this a key decision? No

14.2 If so, Forward Plan reference number:

14.3 If a key decision, is the decision required in less than five days? N/A

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: N/A Date approved: N/A

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members present:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1

Report to:	**EXECUTIVE**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Simon Blackburn, Leader of the Council
Date of Meeting:	4 February 2019

GENERAL FUND REVENUE BUDGET 2019/20

1.0 Purpose of the report:

1.1 To consider the proposal for Blackpool Council's draft General Fund Revenue Budget 2019/20 as outlined in the report circulated to Members under separate cover.

2.0 Recommendation(s):

2.1 To recommend to Council the £1,544,000 Social Care Support Grant is allocated in full to Children's Social Care (ref. paragraph 4.7).

2.2 To recommend to Council the level of net expenditure for the draft General Fund Revenue Budget 2019/20 of £124,073,000 (ref. paragraph 6.2).

2.3 To recommend to Council a level of budget savings of £9.0m (ref. paragraphs 7.1 and 7.2 and Appendix 2).

2.4 To recommend to Council that the Chief Executive be authorised to take any necessary steps to ensure all staffing savings are achieved (ref. paragraph 8.1).

2.5 To recommend to Council that the Business Loans Fund is increased from £100m to £200m with immediate effect (ref. paragraph 8.3).

2.6 To recommend to Council that the target level of working balances remains at £6m (ref. paragraph 10.4).

2.7 To recommend a detailed review of earmarked reserves takes place at Provisional Outturn 2018/19 to reprioritise and unearmark funds to replenish working balances to their target level in 2019/20 should this be necessary (ref. paragraph 10.4).

2.8 To recommend to Council that the 2019/20 costs of £1.188m associated with the Ofsted action plan are agreed and met from higher than anticipated returns from the Business Loans Fund (ref. paragraph 10.5).

2.9 To consider the report of the Budget Scrutiny Review Panel as attached at Appendix 3 and consider any actions arising from that review.

2.10 To note that key attendees have been invited to address and make representations direct to the Executive at this meeting and that the Director of Resources has addressed a meeting of the Blackpool Business Leaders Group and will feedback comments also at this meeting.

2.11 To consider any further facts and information which subsequently come to light and report the details to the meeting of the Executive on 25 February 2019.

3.0 Reasons for recommendation(s):

3.1 To enable progression to the next stage of the budget process.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Not applicable - the report once approved will become the Council's new approved budget.

3.3 Other alternative options to be considered:

As outlined in the Budget report.

4.0 Council Priority:

4.1 The relevant Council Priorities are both:

"The economy: Maximising growth and opportunity across Blackpool"

"Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

5.1 The purpose of this report is to determine the overall level of net expenditure to be included in the General Fund Revenue Budget for 2019/20 and to identify a budget savings plan that will ensure a balanced Budget.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Report
Appendix 1- General Fund Budget
Appendix 2- Savings Summary
Appendix 3 – Budget Scrutiny Review Report
Appendix 4 - Equality Analysis
Appendix 5 - Assessment of Significant Financial Risks

(All circulated to members under separate cover)

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 Human Resources considerations are outlined in the budget report, circulated to members under separate cover.

8.0 Equalities considerations:

8.1 An Equalities Analysis forms Appendix 4 to the budget report.

9.0 Financial considerations:

9.1 As outlined in the Budget report, circulated to members under separate cover

10.0 Risk management considerations:

10.1 As outlined in the Budget report circulated to members under separate cover. Appendix 5 forms an Assessment of Significant Financial Risks to Substantiate Target Level of Unearmarked Working Balances.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 Consultation has taken place at meetings of the community engagement groups and wider consultation has taken place via the Council's extensive corporate communication methods which include website, social media and media briefings.

12.2 Consultation with the Trade Unions with regards to staffing issues has been embedded into normal working practices and has also met all formal consultation requirements.

13.0 Background papers:

13.1 Budget working papers

14.0 Key decision information:

14.1	Is this a key decision?	Yes
14.2	If so, Forward Plan reference number:	39/2018
14.3	If a key decision, is the decision required in less than five days?	No
14.4	If **yes**, please describe the reason for urgency:	

15.0 Call-in information:

15.1	Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?	No
15.2	If **yes**, please give reason:	

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 25 January 2019 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1

Report to:	**EXECUTIVE**
Relevant Officers:	Steve Thompson, Director of Resources
Relevant Cabinet Member	Councillor Simon Blackburn, Leader of the Council
Date of Meeting	4 February 2019

CAPITAL STRATEGY 2019/20 TO 2021/22

1.0 Purpose of the report:

1.1 To consider the Capital Strategy for 2019/20 to 2021/22, attached at Appendix 4a, incorporating the Property Investment Strategy for 2019/20, attached at Appendix 4b.

2.0 Recommendation(s):

2.1 To recommend to the Council to approve the Capital Strategy 2019/20 to 2021/22 incorporating the Property Investment Strategy 2019/20.

3.0 Reasons for recommendation(s):

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code now requires local authorities to produce a capital strategy. The capital strategy is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implication for future financial sustainability.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Not applicable - the report once approved will become part of the Council's new approved budget

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

4.1 The relevant Council Priority is: “The economy: Maximising growth and opportunity across Blackpool”.

5.0 Background Information

5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

5.2 The Capital Strategy aligns with the priorities set out in the Council Plan and other key Council strategies. The strategy is integrated with the Capital Programme and Treasury Management Strategy.

5.3 Does the information submitted include any exempt information? No

5.4 **List of Appendices:**

Appendix 4a: Report on the Capital Strategy 2019/20 to 2021/22
Appendix 4b: Property Investment Strategy 2019/20

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 These are set out in the Capital Strategy attached at Appendix 4a.

10.0 Risk management considerations:

10.1 The Capital Strategy includes the Council's Risk Appetite Statement in section 12 of the report at Appendix 4a.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 None.

13.0 Background papers:

13.1 None.

14.0 Key decision information:

14.1	Is this a key decision?	Yes
14.2	If so, Forward Plan reference number:	2/2019
14.3	If a key decision, is the decision required in less than five days?	No
14.4	If **yes**, please describe the reason for urgency:	

15.0 Call-in information:

15.1	Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?	No
15.2	If **yes**, please give reason:	

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 25 January 2019 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1

Appendix 4a

BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

4 FEBRUARY 2019

CAPITAL STRATEGY 2019/20 to 2021/22

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1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Capital Strategy aligns with the priorities set out in the Council Plan and other key Council strategies. The strategy is integrated with the Capital Programme and Treasury Management Strategy.

2. Capital Expenditure

2.1 Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances and adds to the life or value of an existing non-current asset that is needed to provide services. Non-current assets are tangible or intangible assets that yield benefits to the Council generally for the period of more than one year, e.g. land, buildings, roads, vehicles. This is in contrast to revenue expenditure which is spending on day to day running costs of services such as employee costs and supplies and services.

2.2 The capital programme is the authority's plan of capital works for future years, including details on the funding of the schemes. Included are projects such as the purchase of land and buildings, the construction of new buildings, design fees and the acquisition of vehicles and major items of equipment. Also included could be service and commercial investments. The Council's Capital Programme is the subject of a separate report and will be presented to Executive with the Capital Strategy.

3. Capital and Treasury Management Investments

3.1 Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

3.2 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Strategy 2019/20 which is the subject of a separate report and will be presented to Executive with the Capital Strategy.

3.3 The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These may include service or commercial investments.

4. Service and Commercial Investments

4.1 These are investments for policy reasons outside of normal treasury management activity. This may include:

4.2 Service Investments

These are investments held clearly and explicitly in the course of the provisions, and for the purposes, of operational services, including regeneration.

4.3 Commercial Investments

These are investments taken for mainly financial reasons. These may include:

- Investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures such as IT providers or building services providers;
- Investments explicitly taken with the aim of making a financial surplus for the Council.

Commercial investments also include non-current assets which are held primarily for financial benefit, such as investment properties.

Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, the decision will be explicit, with the additional risks set out in the impact on financial sustainability identified and reported.

The Director of Resources will ensure that the Council has the appropriate legal powers to undertake such investments and also ensure the proportionality of all investments so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.

5. Due Diligence

5.1 For all capital investments, the appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered. Due diligence process and procedures will include:

- effective scrutiny of proposed investments by Internal Audit;
- identification of the risk to both the capital sums invested and the returns;
- understanding the extent and nature of any external underwriting of those risks;
- the potential impact on the financial sustainability of the Council if those risks come to fruition;
- identification of assets being held for security against debt and any prior charges on those assets;
- where necessary independent and expert advice will be sought.

The Director of Resources will ensure that Executive are adequately informed and understand the risk exposures being taken on.

6. Property Investment Strategy

6.1 The Council has a typical local authority property portfolio. This consists of operational property, investment property and property held for specific community or regeneration purposes. The Council has specific reasons for owning and retaining property:

- Operational – supporting core business and service delivery
- Investment – to provide a financial return to the Council
- Community – to support specific local community projects
- Regeneration – enabling strategic place shaping and economic growth.

6.2 The Property Investment Strategy:

- Sets out reasons for acquiring property assets for investment purposes
- Identifies the issues of the economy, the general property market and the possible risks for the Council in acquiring investment property
- Clarifies the legal powers used to operate the Strategy and ensure continued compliance
- Identifies criteria for acquiring and owning property assets for investment purposes to ensure risks are minimised
- Includes an outline of the process involved in acquiring property assets for investment purposes.

6.3 A Property Investment Strategy is a formal approach to investing in property. This is done by either buying or leasing property and ensuring that the annual income exceeds the annual lease payment or Prudential Borrowing repayment. The Council seeks tenants who are of sound financial standing and leases are preferable within commercially popular locations.

6.4 The Council funds the purchase of the property by borrowing money or uses the surplus of income derived from the property to meet the lease commitment. The rental income paid by the tenant must exceed the cost of repaying the borrowed money. The annual surplus then supports the Council's budget position and enables the Council to continue to provide services for local people.

6.5 The reasons for purchasing and owning property investment are primarily for

- Financial gain to fund local services
- Market and economic opportunity
- Economic development and regeneration activity in Blackpool and the Lancashire Economic Area.

6.6 The Council's Property Investment Strategy 2019/20 is attached at Appendix 4b.

7. Priorities and Risk in Property Investment

7.1 The priorities for the Council when acquiring property interests for investment purposes are:

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council's primary reason and objective for this strategy is financial gain. The underlying principles of a Property Investment Strategy imply, assume and default to nothing taking higher priority than financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels.

- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of borrowing.

- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.

- **Lease Terms** – The terms of leases vary and even those held on an "Institutionally acceptable basis" can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income/return to the Council.

- **Growth** - property has the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location** - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within Blackpool or in the Lancashire Economic Area. This does not prevent investment outside of Blackpool, subject to the appropriate justification and business case and correct governance procedure.

- **Sector** - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio.

- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

7.2 In summary, the strategy for acquiring investment property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing.
- Minimise risk.
- Maximise rental income in early years to mitigate budgetary pressures and minimise management costs to ensure the best return is generated.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise Blackpool and the Lancashire Economic Area if the right opportunity arises.
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

7.3 The Council has invested in a number of investment property assets and lease agreements as well as a Business Loan Fund. A fair value assessment was conducted on purchase and provides sufficient security for the underlying capital invested. These assets will be revalued in line with the Council’s revaluation programme.

8. Revenue Budget Implications from Capital Investment Decisions

8.1 Capital expenditure for the Council is financed through a variety of sources, typically

- Receipts from the sale of capital assets
- Capital grants
- External contributions such as S106
- The use of reserves or from revenue budget contributions.

8.2 Any capital expenditure not financed by the above will need to be funded by borrowing. Existing council debt is therefore the consequence of historical capital expenditure. The Council can temporarily utilise other resources in lieu of external borrowing to fund capital expenditure. This is referred to as internal borrowing.

8.3 In approving the inclusion of schemes and projects within the Capital Programme, the council ensures all of the capital and investment plans are affordable, prudent and sustainable. In doing so the council will take into account the arrangements for the repayment of debt, through a prudent MRP policy. The Council's Minimum Revenue Provision policy is included in Annex F of the Treasury Management Strategy.

8.4 The capital financing charges and any additional running costs arising from capital investment decisions are incorporated within the annual budget and medium term financial plans. This enables Members to consider the consequences of capital investment alongside other competing priorities for revenue funding. The financing costs of prudential borrowing are charged to directorate budgets.

8.5 Capital investment decision making is not only about ensuring the initial allocation of capital funds meets the corporate and service priorities but ensuring the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in any capital investment appraisal decision. In making its capital investment decisions the council must have explicit regard to consider all reasonable options available.

9. Business Loans Fund

9.1 In 2009/2010 the Council set up a £3m fund for businesses to safeguard and create jobs in Blackpool during the recession. The aim of the fund is to provide a lifeline for local, normally sound businesses that are experiencing difficulty in getting finance from the banks because of the global slow down. A number of small unsecured loans were issued to local businesses.

9.2 As part of the 2017/18 budget process the business loans fund was increased to £100m. A number of secured loans have since been issued and are treated as capital expenditure.

9.3 By issuing these loans the Council is exposing itself to the risk that the borrower defaults on repayments. The Council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the Council is proportionate and prudent.

9.4 The Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits with the risks. All loans are agreed as below and are subject to close, regular monitoring.

Loan Amount	**Agreed by**
Loans under £200,000 £200,000 to £499,000 £500,000 and above	Chief Executive Cabinet Member Executive

9.5 The Council makes loans, through the Business Loans Fund, for a number of reasons primarily economic development and investment objectives.

9.6 The Council in making these loans ensure they are prudent and secured by:

- Carrying out a full independent due diligence exercise
- Using an expected loss model to assess the impact on the balance budget requirement if the loan was at risk
- On-going monitoring of the loans
- Ensuring adequate security is in place
- The financial exposure of the Council is proportionate to its size. This is currently set at £100 million.
- All loans of £500,000 and above are agreed by the Council's Executive.

10. Governance Framework

10.1 It is important given the risks surrounding Growth and Regeneration Projects that the appropriate Governance framework is in place hence the following processes are in place:

- The Capital Strategy to be presented annually at Full Council
- All schemes and the overall Capital Programme are subject to approval by the Executive and Full Council
- Cabinet Members are assigned projects in line with their responsibilities
- A senior officer group exists known as the Growth and Prosperity Board which is chaired by the Director of Communications and Regeneration. The group monitors the delivery of the Growth and Prosperity programme on an ongoing basis.
- The Growth and Prosperity Board will receive post project completion reports to ensure that its limited resources have been used effectively
- Directorate Departmental Management Teams must agree all deletions and additions to their directorate capital programme before they go to Corporate Asset Management Group
- The Capital Programme is guided by the Council's Capitalisation Policy and Financial Procedure Rules of the Council
- The Capital Programme is subject to Internal and External Audit Review
- Scrutiny Committee can call in Executive Reports

11. Commercial Activity

11.1 The Council has a strong governance framework. It has a Treasury Management Panel in addition to the usual local government audit and corporate governance committees. The Treasury Management Panel is made up of leading officers from across the authority and is lead by the Director of Resources (S151 officer).

11.2 Due diligence is of paramount importance. All of the Council's commercial investments have individual business cases that are subject to risk assessment. Where risks are identified attempts are made to mitigate and sensitivity calculations undertaken as a result. Where appropriate to the size and scale of the project the Council will also commission independent technical and legal reviews, to ensure that the correct decisions are being made.

11.3 Project Groups are set up for all commercial schemes and on-going performance monitoring takes place after the scheme is completed and is reported to Members and senior officers on an ongoing basis.

11.4 Financial and social audits will be carried out during the life cycle of investments.

11.5 The Council follows a beyond prudence approach to governance of commercial activities. It ensures that all commercial schemes are fully aligned with priority outcomes.

12. Risk Appetite Statement 2019

12.1 This outlines Blackpool Council's risk appetite with regard to its investment and commercial activities i.e. the amount of risk that the council is prepared to accept, tolerate or be exposed to at any point in time. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

12.2 The risk appetite statement sets out how the Council balances risk and return in pursuit of achieving its objectives. It is intended to aid careful decision-making, such that the Council takes well thought through risks to aid successful delivery of its services and obligations, while also understanding the adverse aspects of risk undertaken and taking appropriate measures to mitigate these in line with its stated goals. Thereby, the Council's risk judgements are more explicit, transparent and consistent over time.

12.4 Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

12.5 The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. To manage risk effectively the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

12.6 It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies. An assessment of risk should be built into every capital project and major risks recorded in the Risk Register.

12.7 **Credit Risk –** This is the risk that a third party the Council has invested capital monies in becomes insolvent and is unable to pay the investment returns or complete the agreed contract. Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

12.8 **Liquidity Risk –** This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. The Council's exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

12.9 **Interest Rate Risk –** This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

12.10 **Exchange Rate Risk –** This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

12.11 **Inflation Risk –** This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible the Council's exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

12.12 **Legal and Regulatory Risk –** This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, the Council will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

12.13 **Fraud, Error and Corruption –** This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the Council's policies and procedures. This is supported by the Employee Code of Conduct and policies such as Anti-Fraud and Corruption, Anti Money Laundering and Declaration of Interests.

12.14 Risk management is not a stand-alone discipline. In order to maximize risk management benefits and opportunities, it is integrated with existing business processes.

12.15 Some of the key business processes with which risk alignment exists are:

- Capital strategy
- Medium Term Financial Plan
- Internal Audit
- Business Planning (including budget)
- Performance Management
- Treasury Management
- Council owned subsidiaries and joint ventures
- External Audit Review

13. Knowledge and Skills

13.1 The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They follow a Continuous Professional Development Plan (CPD) and attend courses on a regular basis to keep abreast of new developments and skills. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities and is also a professionally qualified accountant and follows an ongoing CPD programme.

13.2 All the Council's commercial projects have project teams from all the professional disciplines across the Council as and when required. External professional advice is taken where required and usually sought in consideration of any major commercial property investment decision.

13.3 Internal and external training is offered to Members on an annual basis to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions.

13.4 The Council's Treasury Management Panel (senior officer group) reviews all commercial and investment deals from inception right through to project completion and ongoing performance management.

14. Treasury Management

14.1 The Council also produces a Treasury Management Strategy which is approved by full Council annually as part of the budget setting process.

14.2 There are close links between the Capital Strategy, Capital Programme and Treasury Management Strategy. The capital programme determines the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

14.3 At the end of 2021/2022 it is forecast that the Council's long term debt will be £119.695m.

14.4 The Council's Authorised Borrowing limit for 2019/20 which is £511m represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

14.5 The Council's Operational Boundary debt forecast for 2019/20 is £488m. This represents the limit beyond which external debt is not normally expected to exceed.

14.6 The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding. Over the period 2019/2020 – 2021/2022 the Council has made provision of £14.831m for the repayment of debt. The bulk of Council borrowing is linked to the Business Loans Fund and Economic Regeneration Schemes, which generate a financial return to the Council above the borrowing cost and a lot of the schemes are asset backed.

14.7 The Council follows the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities.

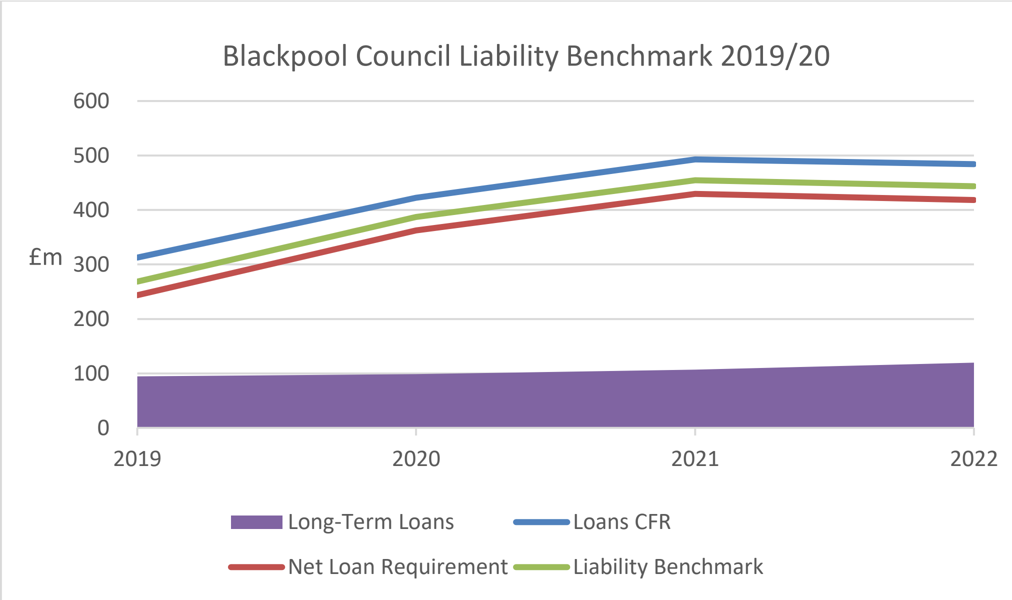
14.8 The Executive is the body responsible for the Governance of Treasury Management within the Council. It recommends an annual Treasury Management Strategy to Full Council for approval as part of the annual approval of the budget. It also receives a half-year review report and the annual Treasury Management outturn report.

14.9 The Treasury Management Panel, which comprises the Director of Resources, Chief Accountant and representatives from Corporate Finance and Blackpool Coastal Housing, has responsibility for managing the risks associated with treasury management activities on an operational basis.

14.10 Treasury Management is also subject to regular Internal and External Audit Review.

15. Liability Benchmark

15.1 The Prudential Code requires the production of a liability benchmark which is shown in the graph below. The liability benchmark is the level of expected debt given current projections for capital expenditure up to year 2021/22. The projected debt levels show what the Council expects its debt level to be. Where the debt level is below the benchmark, the Council will be in an under-borrowed position and when it is above it will be over-borrowed. This makes assumptions regarding repayment dates and can be used as a tool for scheduling future borrowing requirements.



16. Recommendations

16.1 To recommend to the Council to approve the Capital Strategy 2019/20 to 2021/22 incorporating the Property Investment Strategy 2019/20.

S THOMPSON
DIRECTOR OF RESOURCES

Property Investment Strategy 2019/20

1. Background

The Property Investment Strategy sets out the ranges and limits within which the Council can operate. It states which investments the Council may make and sets limits on the different types of investment.

2. Investment Objectives

The Council's policy objectives are to invest prudently having regard to all of the associated risks including the security of investments and to maintain liquidity in the investment portfolio to meet the Council's spending plans. This includes acquisitions of freehold and leasehold interests, and alternative investment models such as, but not limited, to sale and leaseback, income strip lease model, joint ventures and providing security for regeneration projects by signing head-leases.

The Prudential Code clearly states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

All investments will need to contribute towards the service delivery and/or corporate objectives of the Council. This contribution may in some cases not be financial and may qualify under the headings below:

- Yield
- Regeneration
- Business rate growth

3. Property Selection

The selection of investment properties will be determined following a decision making process which includes evaluation using the Project Information Scoring Business Case, credit worthiness of tenants and risk and reward profiles, which shall include suitability for portfolio diversification, anticipated performance of the asset over its expected useful life in both financial and non-financial terms.

For in-house specified investments the Council has determined that the minimum allowable credit rating for investments that are not within the Lancashire Economic Area will be subject to a satisfactory report from a reputable credit rating agency. Full regard will also be given to all other available information.

For long-term investments within the Lancashire Economic Area the Council will consider their financial strength by assessment of their financial statements and other external indicators where available and will include an assessment of the economic and regeneration benefits to Blackpool and the wider Lancashire Economic Area.

When considering leasing, a full option appraisal and comparison of other funding sources must be made and the Council must be certain it provides the best value for money method of funding the scheme.

4. Security and Risk

The Council will invest in assets which provide an adequate level of security for the level of risk being taken. The market that the identified property is in will be assessed and the likely competition considered during the assessment to minimise risk to the Council.

The Council will seek legal advice where necessary to evaluate the potential investment to ensure best value is being obtained.

5. Liquidity

This is the risk that the timing of any cash inflows from a project will be delayed, e.g. if other organisations do not make their contributions when agreed. There is also the risk that the cash inflows will be less than expected, e.g. due to the effects of inflation, interest rates or exchange rates. The Council's exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

Investment properties will be acquired with the intention of retaining the asset for the majority of its expected useful life. Consideration is given however to the potential to dispose of investment assets if necessary in the future.

6. Capacity and Skills

The Council may appoint suitably qualified professionals in all relevant fields to ensure officers are provided with the best possible advice to make decisions. Property, legal and finance professionals are all heavily involved in the appraisals of investments to ensure all information is obtained and processed.

Discussions between the various professions are held on a regular basis to ensure scheme appraisals continue to progress and that all issues are considered.

The findings and thoughts are then reported to the relevant decision making body who will ultimately make the final decision on whether the investment proceeds.

7. Property Investment Borrowing Requirement

Any property investments will be funded from capital receipts from disposals, prudential borrowing, external funding or revenue budgets.

Although the Council is a major investor it is necessary to borrow and this is part of the investment strategy, although usually the Council will seek to dispose of property to fund new investment purchases this is not always possible.

8. Risk Profile

Quantitative indicators will be used which assess the total risk exposure including how investments are funded and rate of return over both the payback period of the investment and the length of any associated borrowing.

Consideration will also be given as to where the asset retains sufficient fair value to provide security of the investment including a statement that fair value assessment has been made within the last 12 months and that underlying assets provide security for capital investment.

For each investment a risk mitigation plan will be produced. The Council will note the purpose of each investment and the associated risks and this is demonstrated in the table below:

Reason for investment	**Associated Risks**
Highly diversified portfolio of assets	Potential for capital loss
Stable income generation	Infrequent but potentially large volatility
Potential for capital growth	High cost of entry/exit

9. Investment Monitoring

Investment properties will be monitored and assessed to ensure that the investment objectives identified above are being met, and if not corrective action is required/taken.

Any properties that are identified as failing to achieve their objectives and do not respond to any corrective action will be considered for disposal.

The performance of investment property will be reported on a quarterly basis to the Growth and Prosperity Board who can advise and direct officers accordingly.

10. CIPFA Guidance

In October 2018 CIPFA issued a statement regarding their concerns around local authorities borrowing in advance of need and investing in commercial properties. CIPFA will be issuing further guidance regarding investments and risk, and should the Property Investment Strategy require amendment it will be reported to a future Executive meeting.

Report to:	**EXECUTIVE**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Simon Blackburn, Leader of the Council
Date of Meeting:	4 February 2019

CAPITAL PROGRAMME 2019/20 TO 2021/22

1.0 Purpose of the report:

1.1 To consider the 2019/20, 2020/21, 2021/22 Capital Programme – circulated to members under separate cover.

2.0 Recommendation(s):

2.1 To recommend to Council:

1. To approve of the Capital Programme for 2019/20 as set out at Appendices A and B.

2. To adopt the Single Capital Pot approach as outlined in Section 4 with a top slice of 12.5% to allow for investment in key priority areas and overspends that are not otherwise fundable (reference paragraph 4.2).

3. To approve the Capital Prudential Indicators as identified in Appendix C.

4. To agree that Executive approval will continue to be required for all Prudential borrowing schemes (reference paragraph 3.1).

3.0 Reasons for recommendation(s):

3.1 To ensure delivery of the Council's key objectives.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Not applicable - the report once approved will become part of

the Council's
new approved
budget

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

4.1 The relevant Council Priority is: "The economy: Maximising growth and opportunity across Blackpool".

5.0 Background Information

5.1 The Council's 2019/20 Capital Programme runs concurrently with the 2019/20 revenue budget with schemes usually extending over a number of years. For that reason the programme projects forward indicative spending for 3 years. This report updates the programme set in 2018/19 and seeks to ensure that capital expenditure is spent in areas that will contribute to meeting the Council's priorities. The 2019/20 programme is submitted for approval. The 2020/21 and 2021/22 programmes have been drawn up based upon individual allocations and current proposals. These will be reviewed as part of the budget processes for 2020/21 and 2021/22 in the light of changing priorities and final funding levels that mean no commitments can yet be identified in respect of these schemes.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Capital Programme Report
Appendix A- Capital Programme Summary
Appendix B- Capital Programme by Service
Appendix C- The Prudential Code for Capital Finance- Prudential Indicators

(All circulated to members under separate cover)

6.0 Legal considerations:

6.1 As outlined in the report, circulated to members under separate cover.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 As outlined in the report, circulated to members under separate cover.

9.0 Financial considerations:

9.1 Once approved, capital budget monitoring will be reported to the Executive on a monthly basis with effect from Month 3 2019/20.

10.0 Risk management considerations:

10.1 As outlined in the report, circulated to members under separate cover.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 Internally with Capital Asset Management Group and the Corporate Leadership Team.

13.0 Background papers:

13.1 Individual scheme business cases and budget working papers.

14.0 Key decision information:

14.1	Is this a key decision?	Yes
14.2	If so, Forward Plan reference number:	38/2018
14.3	If a key decision, is the decision required in less than five days?	No
14.4	If **yes**, please describe the reason for urgency:	

15.0 Call-in information:

15.1	Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?	No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 25 January 2019 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members present:

20.1

21.0 Call-in:

21.1

22.0 Notes :

22.1

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Report to:	**EXECUTIVE**
Relevant Officers:	Steve Thompson, Director of Resources
Relevant Cabinet Member	Councillor Simon Blackburn, Leader of the Council
Date of Meeting	4 February 2019

TREASURY MANAGEMENT STRATEGY 2019/20 TO 2021/22

1.0 Purpose of the report:

1.1 The Treasury Management Strategy Report 2019/20 and its Annexes A, B, C, D, E and F.

2.0 Recommendation:

2.1 To recommend to the Council:

1. To approve the Treasury Management Strategy 2019/20 including both the Borrowing and Investment Strategies which are set out in Annex C and Annex D to this report.

2. To adopt the Treasury Management Policy Statement, the three key principles and four clauses taken from CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2017 Edition) and set out in Annex B to this report.

3. To approve the revised Prudential Indicators and limits for 2018/19 and the new Prudential Indicators and limits for 2019/20 – 2021/22 which are set out in Annex E to this report.

4. To approve the Minimum Revenue Provision Policy Statement for 2019/20, which will ensure a prudent Minimum Revenue Provision charge in the annual statement of accounts. The policy is set out in Annex F to this report.

3.0 Reasons for recommendation:

3.1 A feature of the 2017 edition of the CIPFA Code of Practice on treasury management activities is the annual approval of strategy and reporting of performance information. This report circulated to members under separate cover sets out the Council's Treasury Management Strategy for 2019/20.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Not applicable – the report once approved will become part of the Council's new approved budget

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

The relevant Council Priorities are:

"The economy: Maximising growth and opportunity across Blackpool"

"Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

5.1 The Council is required by statute to publish an annual Treasury Management Strategy incorporating its Borrowing and Investment Strategies. It is also required to prepare a Capital Strategy incorporating both strategic investments for economic regeneration as well as more detailed capital plans for effective service delivery. The Council's Capital Strategy is the subject of a separate report and will be presented to the Executive and then to Full Council with the Treasury Management Strategy.

5.2 In essence the Treasury Management Strategy is an annual plan of how Blackpool Council will manage its investments and cashflows. It identifies the Council's borrowing needs and shows how it will invest temporary surplus cash balances, and how it will control its banking, money market and capital market transactions.

5.2 Does the information submitted include any exempt information? No

5.3 List of Appendices:
Annex A – Scale of Operations
Annex B – Treasury Management Policy Statement
Annex C – Borrowing Strategy
Annex D – Treasury Management Investment Strategy
Annex E – Prudential Indicators

Annex F – Minimum Revenue Provision Policy Statement

(All circulated to members under separate cover)

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 Please see the Report and its Annexes A to F

10.0 Risk management considerations:

10.1 The key risks are outlined in the attached report and Annexes and can be summarised in the following categories:

1. Liquidity Risk (accessibility and/or running out of cash)
2. Market Risk (movements in interest rates – yield)
3. Credit Risk (investment counterparties might default – security)
4. Legal Risk (transactions and actions legal/within regulatory limits)
5. Operational Risk (adequacy of internal processes)

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 With the Council's Treasury Management Panel.

13.0 Background papers:

13.1 None.

14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 42/2018

14.3 If a key decision, is the decision required in less than five days? N/A

14.4 If yes, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If yes, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 25 January 2019 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 Date of Decision:

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.0

22.0 Notes:

22.0

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Report to:	**EXECUTIVE**
Relevant Officers:	Antony Lockley, Director of Strategy and Assistant Chief Executive, and Steve Thompson, Director of Resources
Relevant Cabinet Member	Councillor Mrs Christine Wright, Cabinet Member for Housing
Date of Meeting	4 February 2019

PROPOSED RENT REVIEW 2019/20

1.0 Purpose of the report:

1.1 To consider the level of rents and service charges to be charged in connection with Housing Revenue Account dwellings during 2019/20.

2.0 Recommendation(s):

To recommend to the Council that:

2.1 A rent reduction of a minimum of 1% is implemented for all Housing Revenue account properties in 2019/20.

2.2 The minimum level of Housing Revenue Account balances remain protected at £1 million, as previously agreed.

2.3 That de-pooled services (as detailed in Appendix C) and that other service charges (as detailed in Appendices D and E) are charged as outlined.

3.0 Reasons for recommendation(s):

3.1 To ensure that rent levels are appropriate and the Housing Revenue Account is financially secure currently and in the medium term.

The rent reduction is proposed on the basis that this is effectively a statutory requirement, as part of a four year national requirement that runs until the upcoming financial year.

Retaining the previously agreed minimum reserves level of £1 million ensures that prudent balances are maintained in the Housing Revenue Account.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	Not applicable – the report once approved will become part of the Council's new approved budget

3.3 Other alternative options to be considered:

Increasing or freezing rent levels is not an option due to a rent reduction being a statutory requirement.

4.0 Council Priority:

4.1 The relevant Council Priority is: "Communities: Creating stronger communities and increasing resilience".

5.0 Background Information

5.1 As part of the preparation of the draft 2019/20 Housing Revenue Account (HRA) Budget, Members must consider the levels of rents and service charges to be set in connection with Council Housing dwellings during the next financial year.

5.2 The report, circulated to members under separate cover, details the 2019/20 Draft Budget and the proposed changes in rent and service charges.

5.3 New charges for Housing Revenue Account services and related non-Housing Revenue Account properties are also proposed.

5.4 Does the information submitted include any exempt information? No

5.5 **List of Appendices:**

Report on the Proposed Rent Review 2018/19
Appendix A: HRA Draft Budget 2018/19
Appendix B: Rent Parameters
Appendix C: Depooled Charges
Appendix D: Review of Fees and Charges
Appendix E: Charges for non-HRA properties
(All circulated to member under separate cover)

6.0 Legal considerations:

6.1 None.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 These are set out in the main report.

10.0 Risk management considerations:

10.1 See section 3 above.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 The rent report is shared with the board of Blackpool Coastal Housing, which includes tenant and leasehold representatives and independent members.

13.0 Background papers:

13.1 None.

14.0 Key decision information:

14.1	Is this a key decision?	Yes
14.2	If so, Forward Plan reference number:	41/2018
14.3	If a key decision, is the decision required in less than five days?	No
14.4	If **yes**, please describe the reason for urgency:	

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 25 January 2019 Date approved:

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1

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