DISTRICT OF HARBOROUGH

Cabinet

To the Cabinet on Friday, 13 October 2023
Date of meeting: **Monday, 23 October 2023**
Time: **18:30 Please note start time.**
Venue: **The Council Chamber**
The Symington Building, Adam and Eve Street, LE16 7AG

Members of the public can access a live broadcast of the meeting from the Council website, and the meeting webpage. The meeting will also be open to the public.

- Information Exchange from Portfolio Holder
- Topical Issues
  - Questions
  - Petitions
  - Notices of Motion

Agenda

LIZ ELLIOTT
INTERIM CHIEF EXECUTIVE AND HEAD OF PAID SERVICE
HARBOROUGH DISTRICT COUNCIL

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Circulate to: Paul Beadle - Member, Simon Galton - Member, Mark Graves - Member, Jim Knight - Member, Phil Knowles - Leader, Geraldine Whitmore - Member, Darren Woodiwiss - Member

Minutes of the Cabinet Meeting

Location: Council Chamber, The Symington Building, Adam and Eve Street, Market Harborough, LE16 7AG

Date: **4 September 2023** commencing at 6.30pm

Present:

Councillors:	P. Knowles (Leader)	Portfolio Holder for Strategy
	S. Galton	Portfolio Holder for Planning
	M. Graves	Portfolio Holder for Finance
	J. Knight	Portfolio Holder for Wellbeing
	G. Whitmore	Portfolio Holder for Culture, Leisure, Economy and Tourism
	D. Woodiwiss	Portfolio Holder for the Environment and Climate Change

CMT Officers: L. Elliott – Interim Chief Executive, Head of Paid Service

C. Mason – Interim Deputy Chief Executive, Section 151 Officer

C. Pattinson – Interim Director of Law & Governance, Interim Monitoring Officer

V. Jessop – Interim Director of Communities & Wellbeing

D. Atkinson – Director of Planning

8. Apologies for Absence

Apologies were received from the Portfolio Holder for Corporate, Councillor Beadle.

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes

Cabinet agreed the minutes of the meeting on 10 July 2023 as an accurate record.

11. Corporate Plan 2023/24

The Leader introduced the report and explained that the current corporate plan was approved in February 2022 to run until 2031. The new administration undertook a light touch review of the Key Activities for the corporate plan following the election.

Councillor Graves asked for clarification on the order of Key Activities in Appendix A of the report. The interim Chief Executive clarified that some Key Activities were missing as they had been achieved.

RESOLVED: that Cabinet note the Key Activities for 2023/24 set out in appendix A to the report and the timeline for the refresh of the corporate priorities set out in the Corporate Plan for 2024/25.

Reasons

The Corporate Plan outlines the Council's Vision, Priorities, Critical Outcomes and associated Key Activities for the financial year. It is essential to help the council deliver better outcomes for communities and therefore is regularly monitored and reviewed.

12. 2023/24 Performance Report – Financial (Outturn) and Corporate Quarter 1 (Year ending 31 March 2024)

The Head of Finance introduced the report. It was explained that the report combined two reports previously received separately, Financial Performance (Outturn), and Performance.

Councillor Graves explained the key sections of the report in more detail, and that revenue expenditure is forecast to underspend by £683,000, a variance of 5.5% to the approved budget. Capital expenditure is forecast to overspend by £200,000, a variance of 1% to the approved budget.

Councillor Graves also brought attention to the Performance section of the report, on behalf of the Corporate cabinet member.

RESOLVED that Cabinet:

i. receive the contents of the report and associated appendices;

ii. allocates £300,000 of the forecast revenue underspend to the "Capital & Contracts Earmarked Reserve" to meet the estimated costs of procurement for the environment / waste contract.

Reasons

Cabinet is required to monitor the performance of the Council in accordance with the Performance Management Framework against the Corporate Delivery Plan. Good financial governance requires the Cabinet to consider and comment on the financial management of the Council as well as its forecast financial outturn.

Monitoring performance ensures that customers, partners and stakeholders are assured that the Council is actively managed.

13. Bad Debt Write Offs (Revenues and Benefits)

Councillor Graves provided a brief introduction to the report which reflected a report from the Leicestershire Revenues and Benefits Partnership in respect of the debts written off from revenue streams collected by the Partnership.

The Section 151 Officer drew particular attention to the collapse of Joules, which is based in Market Harborough, and the effect this has had on the write off report.

Councillor Woodiwiss questioned whether more of the funds from Joules' debt could have been collected had the time frame for collection been different. The Section 151 Officer explained that this would have had very little effect.

RESOLVED: that Cabinet write off the outstanding National Non-Domestic Rates (Business Rates) totalling £508,864.47 as listed in Appendix A to the report.

Reasons

All reasonable steps to recover the outstanding debts had been taken. Write off is recommended as the last course of action once all other avenues to recover the debt have been exhausted. Retaining irrecoverable debts in the accounts can distort the true financial position of the Council.

14. Terms of Reference for Cabinet Sub-Committee – Grants

Councillor Knowles introduced the report, and explained the recommendations. The report suggests that Cabinet nominate councillors to the Cabinet Sub-Committee, Grants, to enable the allocation and spend of Section 106 grants and other community grants as required. He pointed out that the Sub-Committee Grants had not been constituted properly previously, so it was decided that Councillors Knowles, Galton and Woodiwiss would form the sub-committee, and that Councillor Knight would be a substitute.

RESOLVED that Cabinet:

i. Creates a sub-committee of Cabinet to determine applications for grants from the Council;

ii. Appoints a maximum of three Cabinet members to the newly formed Grants Cabinet Sub-Committee;

iii. Approves the Terms of Reference for the Grants Cabinet Sub-Committee as set out at Appendix B of the report.

Reasons

With the commencement of a new administration, the leadership of the Council, and therefore the membership of Cabinet, had changed. Cabinet could determine what sub-committees to set up, and the applicable terms of reference. It considered that a sub-committee of Cabinet to administer grants sought from the Council was appropriate, with the terms of reference as set out at Appendix B of the report. The creation of this sub-committee ensures the Council efficiently and democratically administers the awarding of grants within, and for the benefit of, the district.

15. Leicester and Leicestershire Statement of Common Ground relating to housing and employment land needs

Councillor Galton introduced the report. Cabinet was invited to consider its position in relation to the imminent recommendation to Council that it sign the Statement of Common Ground with other planning authorities in Leicestershire. He explained that signing the Statement of Common Ground would support the Council in meeting its Duty to Cooperate and Tests of Soundness, both of which are essential in the process of preparing a new Local Plan.

Cllr Galton addressed the collaboration that had taken place between Leicester City Council, and the other local planning authorities in Leicestershire. He stressed the importance of signing the Statement of Common Ground in order to progress the Council's Local Plan.

RESOLVED: that Cabinet recommends to Council that it become a signatory to the Leicester and Leicestershire Statement of Common Ground relating to housing and employment needs, June 2022.

Reasons

The Statement of Common Ground has, over a period of years, been negotiated between the Leicestershire local planning authorities. It evidences that the Council has collaborated with its neighbours. To date, it has been adopted by 7 of the 9 Leicestershire Councils.

The duty to cooperate remains a statutory requirement at this point in time and Government planning policy is clear on the need accommodate unmet housing needs from neighbouring areas. Approving the Statement of Common Ground will align the Council with the approach taken by 7 of the 8 partner authorities in Leicester and Leicestershire and will support the preparation of the next local plan.

16. Harborough District Council Community Safety Three Year Plan 2023-2026

Councillor Woodiwiss introduced the report, and deferred to the Community Safety Manager to provide further explanation.

The report set out the joint response of the Council, the Police and other Community Safety partners to the crime and anti-social behaviour issues identified in the strategic assessment. It proposes a three year Community Safety Plan for the Harborough District 2023-26, owned by the Harborough Community Safety Partnership.

Councillor Galton questioned whether the Cabinet would receive a briefing with the local police lead, as in previous years. Councillor Knowles confirmed that this had been organised for the near future.

Councillor Graves reiterated the importance of the council's continued collaboration with the local police, in order to keep crime rates low and continue effective policing in the district.

RESOLVED: that the Harborough District Community Safety Plan 2023-2026 be adopted.

Reasons

Adopting a Community Safety Plan setting out how the Council and its partners are working together to tackle crime and disorder is a statutory requirement. The plan addresses serious and organised crime; re-offending; tackling anti-social behaviour; alcohol and substance misuse, and any other behaviour which has a negative effect on the local environment. The Community Safety Plan will inform the Council's priorities and ensure the service meets the requirements for all Communities within the District. It's content is determined locally and reflects local priorities.

17. Exclusion of the press and public from the meeting

Councillor Knowles informed the Cabinet that the next item of business included consideration of information which was exempt from public disclosure.

RESOLVED: that, in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public (including the Press) be excluded from the meeting for the following item of business,

Reasons

The nature of the business to be transacted is such that, if the press and or public remain in attendance, exempt information within paragraph 3 (Finance or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended), would be disclosed.

In the circumstances, the public interest in excluding the press and public from the proceedings outweighs the public interest in publication of the report. The proper administration of the Council demands that Cabinet are appraised of the full financial implications of the decision to be taken.

18. Mechanical & Electrical Management Contract

The Section 151 Officer introduced the report. He explained that having an effective Mechanical and Electrical (M&E) maintenance service is essential to the successful management and use of Council owned buildings. The service ensures longevity of all plant and machinery and allows the Council to comply with its statutory obligations in buildings such as The Symington Building, Harborough Innovation Centre, Harborough Market Hall and a number of pavilions and public toilets.

The existing M&E contract expires on 31 October 2023 and a procurement process has been undertaken. It is proposed that a contract be awarded, commencing on 1 November 2023 for a period of   years, to ensure continued compliance with statutory obligations in respect of the Council's property portfolio.

Councillor Woodiwiss questioned the reason for the exemption of the appendices related to this report. The Section 151 Officer clarified that this was due to the appendices containing commercially sensitive information regarding the winning contract bid.

RESOLVED that Cabinet:

i. Award a contract for Mechanical & Electrical maintenance, commencing 1 November 2023, to contractor 1 as detailed in appendix A;

ii. delegate authority to the Section 151 officer, in consultation with the cabinet member for Finance and the Monitoring Officer, to negotiate and finalise the contract.

Reasons

The Council is required ensure that it discharges its statutory responsibilities in relation to mechanical and electrical maintenance. It does not have the expertise for this in house and therefore has undertaken an appropriate procurement process to identify a suitably qualified company to undertake this work. The work is essential to the Council's operation and function of the property portfolio.

The evaluation panel agreed that Contractor 1 should be offered preferred provider status based on the tenders submitted. Cabinet was satisfied that awarding the contract to Contractor 1 offered the solution for future provision of mechanical and electrical maintenance services.

19. Urgent items

There were no urgent items identified.

The meeting ended at 19:06

Harborough District Council

Report to Cabinet on the 23 October 2023

Title:	Annual Treasury Management Report 2022/23 and Prudential Indicators
Status:	Public
Key Decision:	No
Report Author:	Clive Mason, Interim Deputy Chief Executive
Portfolio Holder:	Councillor Mark Graves, Finance
Appendices:	**Appendix 1: Treasury position - 31 March 2023** **Appendix 2: Investment interest rates** **Appendix 3: Borrowing interest rates** **Appendix 4: Balance Sheet resources** **Appendix 5: Economic background**

Summary

i. Treasury Management is an integral part of the Council's finances relating to cash flow management and financing of capital schemes and therefore underpins all of the Council's aims. The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury management activity for 2022/23. The report also covers the actual Prudential Indicators for 2022/23 in accordance with the requirements of the Prudential Code.

Recommendations

a. To note the Annual Treasury Management Report for 2022/23

b. To approve the actual 2022/23 Prudential and Treasury Indicators included in this report

Reasons for Recommendations

ii. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities.

1. Purpose of Report

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

1.2 During 2022/23 the minimum reporting requirements were that the full Council should receive the following reports:

1.2.1 an annual treasury strategy in advance of the year (Council 21/02/2022)

1.2.2 a mid-year treasury update report (Cabinet 16/01/2023, Council 27/02/2023)

1.2.3 an annual review following the end of the year describing the activity compared to the strategy (this report).

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2. Background

2.1 During 2022/23, the Council complied with its legislative and regulatory requirements.

2.2 The report summarises the following:

2.2.1 The actual prudential and treasury indicators (included throughout the report)

2.2.2 Capital activity during the year

2.2.3 Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement)

2.2.4 Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on the investment balances

2.2.5 Summary of interest rate movements in the year

2.2.6 Detailed debt activity

2.2.7 Detailed investment activity.

3. Details

Capital Expenditure and Financing

3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

3.1.1 Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or

3.1.2 If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2 The actual capital expenditure forms one of the required prudential indicators. **Table 1** below shows the actual capital expenditure and how this was financed. As at 31 March 2023 a mixture of external funding, capital receipts and direct revenue funding were used to reduce the need for unsupported borrowing.

Table 1: Capital Expenditure

	31-Mar-22 Actual £000	2022/23 Budget £000	31-Mar-23 Actual £000
Capital expenditure	2,336	6,763	4,740
Financed in year	2,336	6,188	4,740
Unfinanced capital expenditure	0	575	0

The Council's Overall Borrowing Need

3.3 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.4 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board (PWLB), or the money markets), or utilising temporary cash resources within the Council.

3.5 Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

3.6 The total CFR can also be reduced by:

3.6.1 the application of additional capital financing resources, (such as unapplied capital receipts); or

3.6.2 charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

3.7 The Council's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 21/02/2022.

3.8 The Council's CFR for the year is shown in **Table 2** and represents a key prudential indicator.

3.9 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

3.10 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23. **Table 2** below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 2: Capital Financing Requirement

	31-Mar-22 Actual £000	2022/23 Budget £000	31-Mar-23 Actual £000
Capital Financing Requirement	14,113	11,110	13,750
Gross borrowing position	1,490	2,975	1,490
Under /(over) funding of CFR	12,623	8,135	12,260

3.11 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the

Council does not have the power to borrow above this level. **Table 3** below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

3.12 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

3.13 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Table 3: Borrowing

	2022/23 £000
Authorised limit	18,000
Maximum gross borrowing position during the year	1,490
Operational boundary	12,500
Average gross borrowing position	1,490
Financing costs as a proportion of net revenue stream	-4.68%

Treasury Position at 31 March 2023

3.14 The Council's treasury management debt and investment position is organised in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

3.15 The Council's treasury position at the end of 2022/23 is shown in **Appendix 1.**

Investment Strategy and Control of Interest Rate Risk

3.16 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

3.17 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) generally became more actively used.

3.18 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Borrowing Strategy and Control of Interest Rate Risk

3.19 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

3.20 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal borrowing.

3.21 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

3.22 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. Interest rates in financial markets were monitored and a pragmatic strategy adopted based upon the following principles to manage interest rate risks:

3.22.1 if it had been felt that there was a significant risk of a sharp fall in long and short-term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

3.22.2 if it had been felt that there was a significant risk of a much sharper rise in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised.

Interest rate forecasts are shown in **Appendix 3.**

Borrowing Outturn

3.23 No new borrowing was undertaken during the year.

Borrowing in advance of need

3.24 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

3.25 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Outturn

3.26 **Investment Policy** – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 21 February 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

3.27 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The Council's resources are shown in **Appendix 4.**

Investments held by the Council

3.28 The Council:

3.28.1 maintained an average balance of £46m of internally managed funds

3.28.2 earned an average rate of return of 1.96% on the internally managed funds

3.28.3 The comparable performance indicator was set as the average 7-day compounded SONIA (Sterling overnight index average) rate, which averaged at 2.20% for the year (see graph in **Appendix 2**).

3.29 The Council's total investment income was £909k compared to a budget of £107k (due to the increasing interest rates throughout the year).

Investments held by fund managers

3.30 The Council maintained a balance of £1.5m with the Churches Charities and Local Authorities Investment Management Ltd (CCLA) Local Authorities' Property

Fund throughout the year, which earned investment income of £56k against a budget of £75k, giving a rate of return of 3.73%.

3.31 The Council also invested in a Money Market Fund with the CCLA – The Public Sector Deposit Fund, holding an average balance of £4.5m during the year, which earned investment income of £97k, giving a rate of return of 2.17%. The budget for this is included in the investment income budget of £107k above.

IFRS 9 Fair Value of Investments

3.32 Following the consultation undertaken by the Department of Levelling Up, Housing and Communities (DLUHC) on IFRS 9 (International Financial Reporting Standard 9, this standard determines how organisations account for financial instruments), the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

4. Implications of Decisions

Corporate Priorities

4.1 The contents of this report are evidence of how the Council monitors issues that may affect the delivery of its Corporate Priorities.

Financial

4.2 These are covered in detail within the report.

Legal

4.3 This report covers the requirement for capital financing and treasury management as set out in the Local Government Act 2003 and subsequent Regulations.

Policy

4.4 No policy issues arise directly from this report.

Environmental Implications

4.5 No environmental issues arise directly from this report.

Risk Management

4.6 Management of the Council's financial resources is key to achieving targets set out in the budget. Security of the Council's money in the current banking market is paramount.

Equalities Impact

4.7 No equalities issues arise directly from this report.

Data Protection

4.8 No equalities issues arise directly from this report.

5. Alternative Options Considered

5.1 Not applicable.

6. Background papers

6.1 Various Treasury and Capital related reports approved by Council in February 2022 as part of the 2022/23 Budget and MTFS, as well as the Mid-Year Treasury Report reported during the year.

Appendix 1

Treasury Position - 31 March 2023

The Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2022 Principal £000	Average Rate/ Return	Average Life	31 March 2023 Principal £000	Average Rate/ Return	Average Life
Fixed rate funding:						
PWLB	1,490	5.01%	29.6 years	1,490	5.01%	28.6 years
Total debt	1,490			1,490		
CFR	14,113			13,184		
(Over)/under borrowing	12,623			11,694		
Total investments	42,110	0.22%	93 days	49,190	2.03%	107 days
Net investment/debt	40,620			47,700		

The maturity structure of the debt portfolio was as follows:

	31-Mar-22 actual £000	2022/23 original limits %	31-Mar-23 actual £000
Under 12 months	0	10%	22
12 months to 2 years	22	10%	0
2 years and within 5 years	0	20%	0
5 years and within 10 years	0	30%	0
10 years and within 20 years	0	100%	0
20 years and within 30 years	0	100%	0
30 years and within 40 years	1,468	100%	1,468

INVESTMENT PORTFOLIO	Actual 31-Mar-22 £000	Actual 31-Mar-22 %	Actual 31-Mar-23 £000	Actual 31-Mar-23 %
Treasury investments				
Banks	16,110	38%	10,190	21%
Building Societies - rated	17,000	40%	30,000	61%
Building Societies – unrated	3,000	7%	3,000	6%
Total managed in house	36,110	85%	43,190	88%
Money Market funds	4,500	11%	4,500	9%
Property funds	1,500	4%	1,500	3%
Total managed externally	6,000	15%	6,000	12%
TOTAL TREASURY INVESTMENTS	42,110	100%	49,190	100%

Non-Treasury investments				
Third party loans	1,832	46%	1,832	46%
Subsidiaries	2,150	54%	2,150	54%
TOTAL NON-TREASURY INVESTMENTS	3,982	100%	3,982	100%

The maturity structure of the investment portfolio was as follows:

	31-Mar-22 Actual £000	31-Mar-23 Actual £000
Investments		
Longer than 1 year	1,500	1,500
Up to 1 year	40,610	47,690
Total	42,110	49,190

Appendix 2

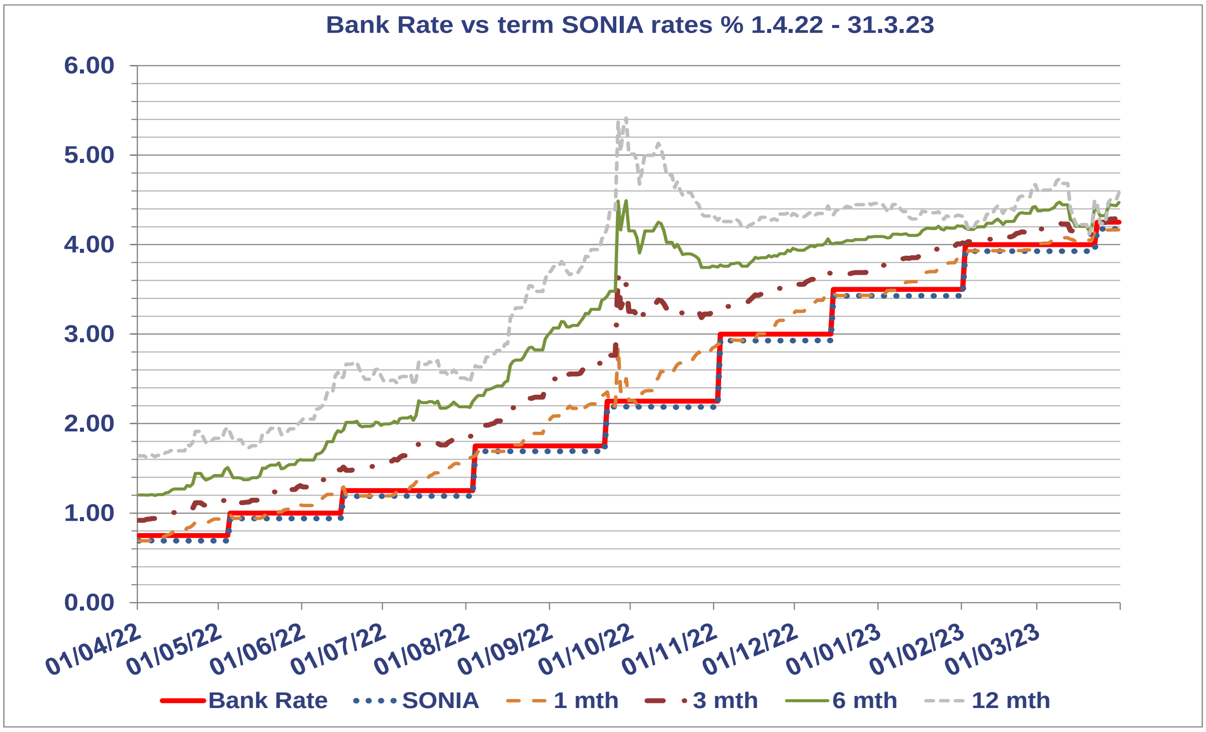
Investment Interest Rates

As provided by the Council's treasury advisors – Link Group: -

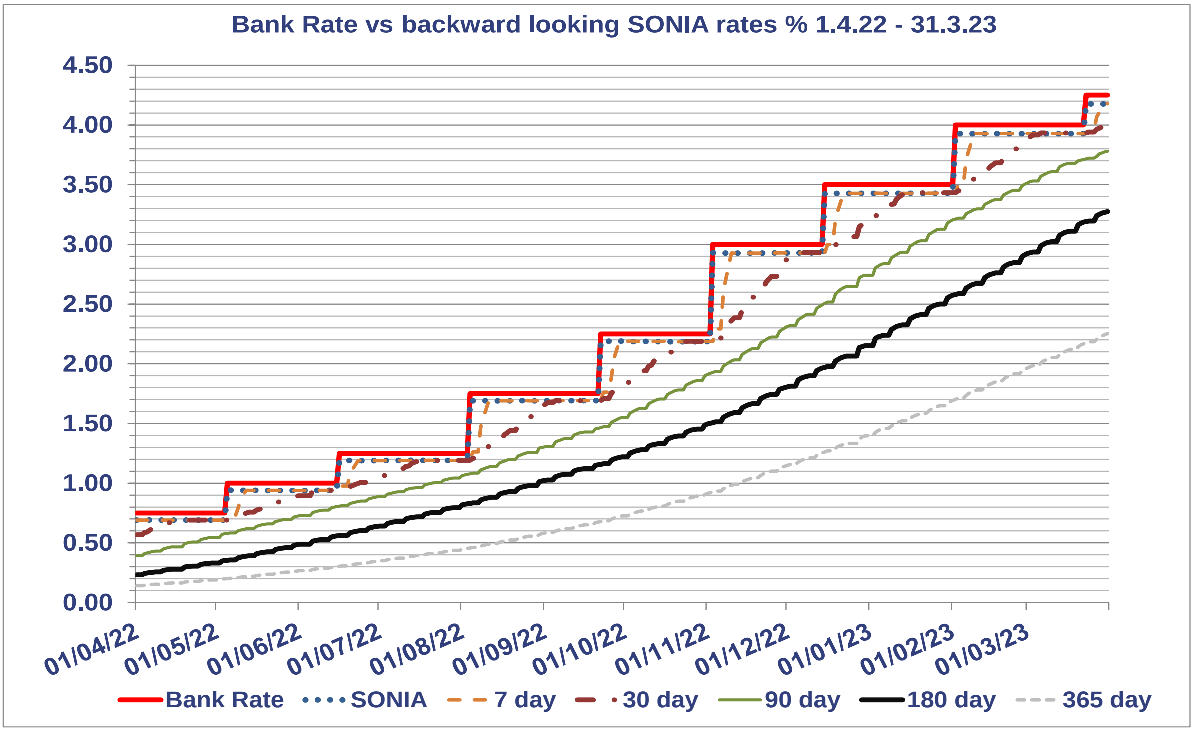
Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.



FINANCIAL YEAR TO QUARTER ENDED 31/3/2023	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	4.25	4.18	4.17	4.30	4.49	5.41
High Date	23/03/2023	31/03/2023	31/03/2023	31/03/2023	29/09/2022	29/09/2022
Low	0.75	0.69	0.69	0.92	1.20	1.62
Low Date	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
Average	2.30	2.24	2.41	2.72	3.11	3.53
Spread	3.50	3.49	3.48	3.38	3.29	3.79



FINANCIAL YEAR TO QUARTER ENDED 31/03/2023

	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	4.25	4.18	4.18	4.00	3.78	3.27	2.25
High Date	23/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
Average	2.30	2.24	2.20	2.09	1.81	1.42	0.90
Spread	3.50	3.49	3.49	3.43	3.39	3.04	2.11

Appendix 3

Borrowing Interest Rates

As provided by the Council's treasury advisors – Link Group: -

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Forecasts at the time of approval of the treasury management strategy report for 2022/23 were as follows: -

Link Group Interest Rate View	7.2.22											
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month ave earnings	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month ave earnings	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month ave earnings	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

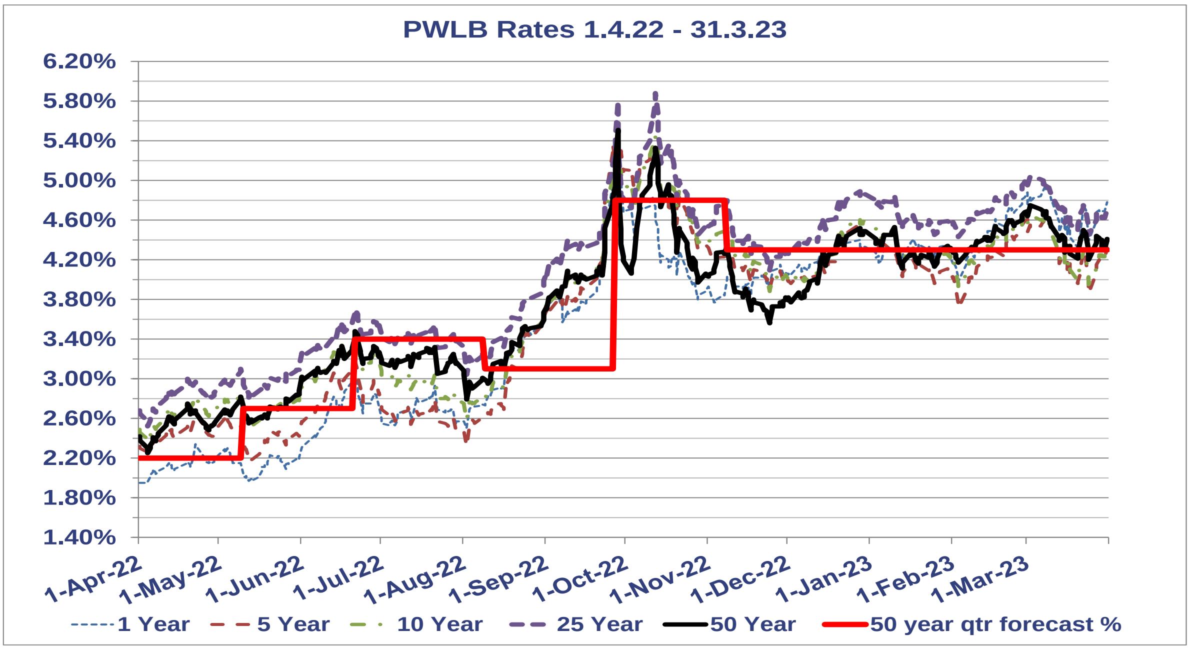
Forecasts changed throughout the year: -

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10



High/low/average PWLB rates for 2022/23: -

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid, then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%.

At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

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

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England’s 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening, but the scale and pace of this has already been affected by the Truss/Kwarteng “fiscal experiment” in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse).

The gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

Appendix 4

Balance Sheet Resources

The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources are comprised as follows:

Balance Sheet Resources	31-Mar-22 £000	31-Mar-23 £000
Balances	2,361	2,405
Earmarked reserves	13,328	8,485
Usable capital receipts	11,083	11,670
Total	**26,772**	**22,560**

Appendix 5

The Economy and Interest Rates

As provided by the Council's treasury advisors – Link Group: -

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in

February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Link's economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Harborough District Council

Report to the Cabinet
Meeting of 23 October 2023 (Appendix A Exempt)

Title:	**Facilities Management Service Contract (Appendix A Exempt)**
Status:	Report: Public Appendix A: Exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972.
Key Decision:	Yes
Report Author:	Caroline Averill, Head of Property Services. 07775004611 c.averill@harborough.gov.uk
Portfolio Holder:	Portfolio – Finance, Councillor Mark Graves
Appendices:	**Appendix A (Exempt)**

Summary

i. An effective soft facilities management service is essential to the successful management and use of Council owned buildings including The Symington Building, Harborough Innovation Centre and Harborough Indoor Market.

ii. The existing soft facilities management contract expires on 30 November 2023, and the award of a new contract to commence from 1 December 2023 for a period of 3 years will ensure continuity of services and compliance of the property portfolio. The procurement method used for the renewal of the contract was through ESPO[1] framework, compliant with the Public Contract Regulations 2015 managed by Welland procurement in partnership with the Council.

Recommendations

[1] ESPO framework, is a pre-approved and compliant way of procuring various services for the public sector. ESPO stands for Eastern Shires Purchasing Organisation, a public sector owned organisation that has provided a wide range of services for over 35 years. An ESPO framework offers a quick, simple and competitive route to access service providers that have been assessed for their quality and ability.

It is recommended that Cabinet: 1. Approve the award of a contract for soft facilities management commencing 1 December 2023 for a period of 3 years to contractor 1 as detailed in appendix A 2. Delegates to the Deputy Chief Executive Officer, in consultation with the Portfolio Holder, Finance and the Head of Legal Services, authority to negotiate and finalise the contract, including any minor variations.
Reasons for Recommendations
iii. To ensure that the Council appoints a suitable contractor to undertake soft facilities management service which is essential to the Council's operation and function of The Symington Building, Harborough Innovation Centre and Harborough Indoor Market. iv. The evaluation panel agreed that Contractor 1 should be offered preferred provider status based on the tenders submitted. v. Awarding a contract based on the tender submitted by Contractor 1 offers the best option and value for money for future soft facilities management service.

1. Purpose of Report

1.1 To seek approval for the award of a contract that will secure the preferred contractor for the provision of soft facilities management services for Council owned buildings, including The Symington Building, Harborough Innovation Centre and Harborough Indoor Hall where the Council has responsibility.

2. Background

2.1 Soft facilities management (FM) is essential to the Council's operation and function of the property portfolio. The Council's current contract for facilities management services commenced on 1 December 2017 with FCC Environmental Services (UK) Limited for an initial term of 3 years with the provision for extension of the contract for up to 3 years.

2.2 As part of an internal reorganisation to combine certain operations within FCC Environmental Services (UK) Limited, an agreement for Novation was drawn up which novated the previous contractor's rights, obligations and liabilities under the contract to the new contractor, FCC Recycling (UK) Limited. The Deed of Novation of contract is dated 1 July 2023.

3. Details

3.1 The existing FM contract expires 30 November 2023. Award of a new contract to commence from 1 December 2023 will ensure continuity of services within the property portfolio. The procurement method used for the renewal of the contract was via the Eastern Shires Purchasing Organisation ("ESPO") framework, which is compliant with the Public Contract Regulations 2015.

3.2 There is a requirement to appoint an FM contract to carry out regular FM service within The Symington Building, Harborough Innovation Centre and Harborough Indoor Market. The scope of work shall include the following of the services indicated and has been specified, where appropriate.

Service	The Symington Building	Harborough Innovation Centre	Harborough Indoor Market
Cleaning services	x	x	x
Caretaking services	x		
Cleaning materials / equipment	x	x	x
Consumables	x	x	x
Confidential waste services	x	x	x
Pest control	x	x	x
Sanitary services	x	x	x
Window cleaning	x	x	x
Indoor planting	x		

3.3 This is a routine procurement exercise that represents 'business as usual' and is essential to maintain the Council's operations and function. Authorisation of the award by Cabinet is necessary because the value of the contract exceeds £200,000 (HDC Statement of Required Practice for Procurement ("SORP") paragraph 28.1).

3.4 The tender documents include all buildings where the Council are responsible for FM services including The Symington Building, Harborough Innovation Centre and Harborough Indoor Market. This ensures that the appropriate level of service is undertaken and that requirements are met.

3.5 The procurement method used for the renewal of the contract was a call off from the ESPO Framework, in accordance with the Public Contract Regulations 2015. The Lot was Total Facilities Management: Lot 1 - Facilities Management Services - Total Assessed Contract Value £0 - £1,000,000 – Framework 676_21. The Framework itself was advertised on the Find a Tender Service (FTS) (2021/S 000-002497). The tender was conducted using the Pro Contracts e-tendering system and being managed by Welland Procurement in partnership with the Council.

3.6 Weighting of the tender evaluation was:

a) Technical: 40%
b) Price: 60%.

3.7 Tenders were evaluated by a panel of three individuals. One tender was received and was compliant and agreed as acceptable by the Evaluation Panel, and there was a unanimous consensus within the Panel. A summary of the tender submission is included as Appendix A. This Appendix is exempt from publication.

3.8 The Evaluation Panel agreed that Contractor 1 should be awarded preferred provider status and the contract for FM; the decision is subject to a statutory 'standstill' period of ten days. Award of the contract is subject to Cabinet approval, due diligence, and agreement of the final contract.

3.9 The initial contract term will be for a period of 3 years from 1 December 2023. Contract period extensions of a maximum of 2 further years in one year increments, may be granted by the Council, subject to satisfactory performance by the contractors. The length of contract has been chosen to give the maximum benefit from a longer contract amortising the initial lead-in costs over a longer period as the contractor becomes familiar with the buildings and specific installations. It also provides flexibility for the Council around options for the property portfolio. The contract offers the flexibility to add or remove services and buildings during the contract. A change in service provider will necessitate TUPE the Transfer of Undertakings (Protection of Employment) Regulations 2006.

3.10 The contract will include performance indicators including.

3.10.1 Quality control checks for cleaning at The Symington Building (target 90%).

3.10.2 Quality control checks for cleaning at Harborough Innovation Centre (target 90%).

3.10.3 Quality control checks for cleaning at Harborough Indoor Market (target 90%).

The targets are based on previous performance of the FM contract.

4.Implications of Decisions

Corporate Priorities

4.1 The recommendations will enable the Council to secure value for money and financial sustainability, whilst acknowledging the importance of creating a sustainable environment and carbon reduction and allowing action to support these goals throughout the term of the contract.

Consultation

4.2 The options for FM services have been discussed with Head of Service and Managers of the services for both the Harborough Innovation Centre and Harborough Indoor Market.

Financial

4.3 Appendix A gives details of the financial implications for the Council.

4.4 The recommendation offers the best means of achieving value for money and financial sustainability.

4.5 A percentage of the cost for the FM Contract will continue to be included in the service charge for those tenants within The Symington Building.

Legal

4.7 Award of the contract is subject to Cabinet approval; the option of deciding not to proceed is available. However, the decision regarding the choice of provider could not be overturned without exposing the Council to a serious risk of legal challenge.

4.8 The procurement exercise has been undertaken in accordance with the Council Constitution.

4.9 It is proposed to use standard Framework Schedule 3 – Form of contract and call-off terms.

4.10 Any re-provisioning will require a TUPE transfer of existing FCC cleaning and caretaking staff directly involved in the delivery of the service.

4.11 Procurement of the FM Contract through the ESPO Framework is compliant with the Public Contract Regulations 2015.

Environmental Implications

4.12 Implementation of the recommendations will support the Council's commitment to become a net zero carbon Council by 2030 in so far as is possible within financial constraints.

Risk Management

4.13 Failure to identify suitable FM arrangements could jeopardise the future operation of the property portfolio, delivery of frontline services and compliance with statutory requirements.

Equalities Impact

4.14 None

Data Protection

4.15 None

5 Alternative Options Considered

5.1 **In-house option** has been considered however there are a number of limitations regarding this option:

- Lack of in-house resources to manage these matters on a day-to-day basis.
- The elements of work would still require contractor input due to nature and specialist requirements.
- Due to the above, this would not be a cost-effective option.

5.2 **Multiple Contracts**

This option has been considered, however, there are a number of limitations with regard this option.

- Lack of in-house resources to manage these matters on a day-to-day basis.
- Need to co-ordinate various contractors, on occasions this can be resource intensive.
- Increased HDC management resource required to manage individual contracts.
- Due to the above, this would not be a cost-effective option, as any savings on the individual contracts will be offset and more by the additional management resource required.

5.3 **Single Contract**

This option has been considered and provides a number of benefits.

- Less need for in-house resources to manage these matters on a day-to-day basis. Contract Management could be accommodated within existing asset management team.
- Contractor will co-ordinate various staff/sub-contractors and ensure that the correct operative is called on the first occasion.
- Less HDC management resource required to manage a single contract.

- Due to the above, this would be the most cost-effective option and will deliver the necessary outcomes.

6 Background papers

6.1 None

Cabinet – 23rd October

<u>Section 100A (4) Local Government Act 1972</u>

The following item is suggested to be dealt with under the above legislation.

To comply with the Act the following resolution needs to be passed.

‘That the public and press be excluded from the remainder of the meeting on the grounds that the matters yet to be discussed involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.’

- **Exempt: Appendix A of Report ‘Facilities Management Service Contract’**