Cannock Chase COUNCIL

Please ask for: Matt Berry
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26 January 2022

Dear Councillor,

Financially Resilient Council Scrutiny Committee

6:00pm, Thursday 3 February 2022

Council Chamber, Civic Centre, Cannock

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,

Tim Clegg.

T. Clegg
Chief Executive

To: Councillors:

Hughes, R.J. (Chairman)
Adamson, G. (Vice-Chairman)

Allen, F.W.C.	Muckley, A.M.
Davis, Mrs. M.A.	Smith, C.D.
Hoare, M.W.A.	Startin, P.D.
Jones, P.G.C.	Sutton, Mrs. H.M.
Kruskonjic, P.	Woodhead, P.E.
McMahon, J.B.	

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Agenda

Part 1

1. **Apologies**

2. **Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members**

   (i) To declare any personal, pecuniary or disclosable pecuniary interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

   (ii) To receive any Party Whip declarations.

3. **Consultation on 2022/23 Budget**

   The following budget related reports due to be considered by Cabinet on 2 February 2022 are attached for the Committee's consideration (reports are numbered as per the Cabinet agenda):

   - General Fund Revenue Budget and Capital Programme 2022-25 (Item 7.1 - 7.59)
   - Rent Setting Policy - April 2022 (Item 8.1 - 8.12)
   - Housing Revenue Account Budgets 2021/22 to 2024/25 (Item 9.1 - 9.6)
   - Housing Revenue Account Capital Programmes 2021/22 to 2024/25 (Item 10.1 - 10.6)
   - Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2022/23 (Item 11.1 - 11.34)

Item No. 7.1

Report of:	**Head of Finance**
Contact Officer:	**Tim Willis**
Telephone No:	**01543 464 412**
Portfolio Leader:	**Leader of the Council**
Key Decision:	**No**
Report Track:	**Cabinet: 02/02/22** **Council: 16/02/22**

Cabinet

2 February 2022

General Fund Revenue Budget and Capital Programme 2022-25

1 Purpose of Report

1.1 To propose to the Council the General Fund Revenue Budget for 2022-23, the updated Capital Programme 2022-23 and indicative budgets for 2023-24 to 2024-25.

2 Recommendation(s)

2.1 That the following be recommended to the Council at its meeting to be held on 16 February 2022:

(a) the Budget Requirement for the General Fund Revenue Budget for 2022-23 be set at £13.237 million;

(b) the indicative General Fund Revenue Budgets be set at £15.173 million for 2023-24 and £15.891 million for 2024-25;

(c) that the detailed portfolio budgets as set out in **APPENDIX 1** be approved;

(d) set the General Fund working balance at a minimum of £1.0 million:

(e) the detailed capital programme as set out in **APPENDIX 2** and **APPENDIX 3** be approved, along with Community Infrastructure Levy allocations in **APPENDIX 4**;

(f) that the Council Tax for 2022-23 be increased by 1.95% to £230.04;

(g) the Council's Tax Base be set at 29,458.15 (as determined by the Head of Finance).

3 Key Issues and Reasons for Recommendations

3.1 This report sets out the current position on the General Fund Revenue Budget for 2022-23 and indicative budgets for 2023-24 to 2024-25. It also sets out the position on the Provisional Local Government Finance Settlement 2022-23, New Homes Bonus Grant allocation, the position on the Council's Collection Fund, the Council's Tax Base for 2022-23 and the consequential Council Tax for 2022-23.

3.2 The budget for 2022-23 is based on the indicative budget set last year, which has been updated to reflect known changes and estimates.

3.3 Indicative budgets have been set out for 2023-24 and 2024-25 which include the key issues which it is anticipated will have a potential impact on the Council's finances. However, it should be noted that a new funding regime for local government is to be introduced, potentially for 2023-24, but there is no further information at the current time.

4 Relationship to Corporate Priorities

4.1 The revenue budget and the capital programmes have been based on the Council's priorities.

5 Report Detail

5.1 Individual Portfolio Budgets for each of the Council's Portfolios are set out in **APPENDIX 1**. These will be considered by the Financially Resilient Council Scrutiny Committee at its meeting on 3 February 2022 as part of the Budget consultation process.

Budget Issues and Adjustments 2022-23

Inflation

5.2 The budgets for 2022-23 reflect anticipated pay awards for 2021-22 and 2022-23. When setting the budget for 2021-22 it was understood that no pay award would be made as part of a two-year pay freeze for those employees above the £24,000 threshold. However, a pay award of 1.75% has been offered and declined; negotiations are ongoing. A provision of 2% has been included for 2021-22 and throughout the planning period.

5.3 No material changes have been made to future non pay budgets with the general provision for CPI remaining at 2% for the duration of the budget period. Specific provision has been made for increases in utility costs, which have been partially offset by a reduction in utility usage as a result of the move to hybrid working for the majority of employees based at the civic offices. Other specific inflationary uplifts apply where the Council has contractual obligations.

5.4 Business Rates (sometimes called National Non-Domestic Rates or NNDR) income for 2022-23 has been adjusted to reflect details contained in the Provisional Local Government Settlement. Business Rates increase each year in accordance with inflation. There is no actual increase in business rates chargeable, with the Government freezing the Business Rates multiplier and local government being compensated for the difference via a Section 31 grant.

Spending pressures/Loss of income

5.5 The detailed budgets have been refreshed to reflect the forecast outturn for 2021-22 and the changes that COVID has had on spending/income patterns.

5.6 Additional provision has been made within Portfolio budgets for inflation, the National Insurance increase and other general items, including for a pay award and increments.

5.7 The most significant changes to the 2022-23 Portfolio budgets are itemised below:

- Leader - transfer of Covid provision of £559k to Housing, Heritage and Leisure, transfer of parking provision £108k to Environment and Climate Change portfolio.

- Environment and Climate Change - a net increase in waste costs from dual stream collection and dry recycling contract of £343k and reduced parking income of £121k (£108k of this transferred from Leader portfolio).

- Innovation and High Streets - reduced premises spend Cannock market hall and shops £71k.

- Housing, Heritage and Leisure - Commonwealth games £44k and Leisure provider spend £559k (transferred from Leader portfolio).

Business Rates Income

5.8 The Council's exposure to volatility in Business Rates is a key risk with a reduction in income from business rates due to the failure or temporary closure of a key industry and successful appeals against Rateable Values and backdated refunds.

5.9 In order to mitigate this risk as much as possible, provision is made in both the budget and final accounts for a reduction in income due to appeals.

2021-22 Forecast Outturn

5.10 The Budget for 2021-22 is monitored against the profiled budget. The latest position reflects the downturn in income and is updated for known changes in the forecast outturn. It is currently expected that there will be an overall net increase of £178k on Portfolio Budgets excluding income grants.

Local Government Finance Settlement 2022-23

5.11 The Provisional Local Government Finance Settlement for 2022-23 was received by the Council on 16 December 2021. The settlement only relates to 2022-23, pending the introduction of Business Rates Retention and a Fair Funding review to determine both core funding and Business Rate Baselines for future years.

5.12 In particular, the Settlement determines both the core funding to the Council and basis of incentive funding for Business Rates. A Baseline Funding Level was determined at the commencement of the current scheme in 2013-14 with a Tariff paid to central government representing the difference between income collected and the Baseline. The Baseline Funding now represents the sole form of core funding following the demise of Revenue Support Grant.

Business Rates Pooling and Retention

5.13 In accordance with the 2021 Spending Review, the reset of Business Rates growth achieved to date has been deferred. No changes have been made to the Tariff paid to Central Government, which would have effectively increased, to neutralise in whole or part the growth achieved to date.

5.14 The Budget assumes that the Staffordshire and Stoke-on–Trent Business Rates Pool will remain in place. It also assumes a 50% reset in business rates growth with effect from 1 April 2023. The Provisional Settlement has confirmed that the pool remains designated for 2022-23. A windfall of £0.9 million will occur in 2022-23 as a result of the Reset not taking place. The government however remain committed to future changes to business rates as part of a revised local government funding regime.

5.15 Business Rates increase each year in line with the prevailing CPI of the preceding September. The proposed freezing of the NNDR multiplier will result in a loss of income to the Council and hence the Provisional Settlement provides compensation for this loss via the NNDR Multiplier Section 31 grant.

5.16 An analysis of the revised Retained Business Rates Income for the Council is set out in **APPENDIX 5**.

New Homes Bonus

5.17 Provisional allocations for the New Homes Bonus (NHB) scheme for 2022-23 were also announced on 16 December 2021. These allocations include the previous legacy payments for prior years.

5.18 The settlement therefore provides a total allocation for Cannock Chase of £1.273 million for 2022-23, comprising £662k of new NHB and £611k of legacy NHB. Projected payments for 2023-24 and 2024-25 are £200k in each year.

Lower Tier Services Grant

5.19 The Government is proposing a further one-off Lower Tier Services Grant payment in 2022-23, which will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services).

5.20 The grant is to be distributed based upon the 2013-14 settlement funding assessment with provision also being made to ensure that no authority sees an annual reduction in Core Spending Power when comparing 2021-22 funding to 2022-23 proposed funding.

5.21 An allocation of £136k has been proposed for Cannock Chase.

Services Grant

5.22 The Government has proposed a new Services Grant, worth £822 million nationally, on a one-off basis for 2022-23, based on relative need. It is intended to compensate, inter alia, for the additional costs arising from the increased employer National Insurance contributions. An allocation of £210k has been proposed for Cannock Chase.

Revenue Budget Summary 2022-23

5.23 The Portfolio Budget position set out below reflects the forecast outturn position for 2021-22, the proposed budget for 2022-23, and indicative budgets for 2023-24 and 2024-25.

Table 1: Revenue Budget Recommended to Council

	Forecast Outturn	Budget	Indicative Budget	Indicative Budget
	2021-22	**2022-23**	**2023-24**	**2024-25**
	£000	**£000**	**£000**	**£000**
Net Expenditure				
Portfolio budgets	15,098	15,431	15,606	16,009
Investment income & technical financing adjustments	(261)	(415)	(74)	240
Net Spending	**14,837**	**15,016**	**15,532**	**16,249**
Less: Government Grants				
Income Guarantee Grant	(125)	-	-	-
2021-22 Covid Expenditure Grant	(540)	-	-	-
NNDR Multiplier – S.31	(159)	(159)	(159)	(158)
One off Service Grant	-	(210)	-	-
Lower tier grant	(130)	(137)	-	-
New Homes Bonus	(1,417)	(1,273)	(200)	(200)
Budget Requirement	**12,466**	**13,237**	**15,173**	**15,891**
Financing				
Business Rates	(5,342)	(5,649)	(5,321)	(5,423)
Council Tax Support Grant	(121)	-	-	-
Council Tax Income	(6,574)	(6,777)	(7,047)	(7,328)
Total Financing	**(12,037)**	**(12,426)**	**(12,368)**	**(12,751)**
Less Transfer from Covid reserve	**(429)**	**(723)**	**-**	**-**
Transfer from Working Balance		**(88)**		
Budget Shortfall			**2,805**	**3,140**

5.24 A deficit of £811,000 exists in 2022-23 and a balanced budget has been achieved partly by the use of Earmarked reserves. As set out in the budget report in January 2021 there is a Covid reserve to offset temporary impacts of Covid on spending. The table shows use of reserve for 2021/22 of £429,000 and 2022/23 of £723,000, this leaves a balance on the reserve of £348,000 to support the budget in future years.

5.25 The above budget is based upon the maintenance of existing service provision and delivery of the priorities set out in the Corporate Plan.

5.26 As indicated above, details are only currently available for the 2022-23 financial year. Limited amendments have been made to assumptions in relation to the new funding regime for 2023-24 and onwards. The Business Rates Scheme in particular carries the greatest uncertainty, along with any outcome from the Fair Funding Review. In light of the uncertainty as reflected in various sections of this report, it is difficult to project the true overall position over the medium term.

5.27 This time last year, the Indicative Budget for 2022-23 suggested a £1.359 million gap. When comparing the currently proposed 2022-23 Budget to the anticipated 2022-23 Indicative Budget this time last year, the major differences are as set out in Table 2. This list represents the reasons why there is no gap now for 2022-23, despite a gap of £1.359 million being predicted this time last year:

Table 2: Changes in 2022-23 budget assumptions

Description	Change £000
Portfolio budgets increase	578
Investment Income	53
Unexpected Services Grant	(210)
Unexpected Lower Tier Grant	(136)
New Homes Bonus higher than anticipated	(423)
No Business Rates Review/reset	(423)
Use of Covid reserve	(723)
Use of Working Balances	(88)
Other	13
Total	(1,359)

5.28 Table 1 identifies £2.805 million in 2023-24 that represents an unfunded budget gap that will need to be identified. The major reasons for the 2023-24 gap arising as compared to 2022-23 are in Table 3:

Table 3: Reasons for movement between 2022-23 and 2023-24

Description	Change £000
Portfolio budgets increase in 23-24	175
Increased investment income	(95)
Technical - reduced use of reserves	445
One-off Services Grant in 22-23	210
One-off Lower Tier Grant in 22-23	136
New Homes Bonus falling in 23-24	1,073
Reduced Business Rates in 23-24	328

Description	Change £000
Increased Council Tax in 23-24	(270)
Covid Reserve funding 22/23	723
Working balance funding 22/23	88
Other	(8)
Total	2,805

Reserves and Balances

5.29 Reserves and balances comprise general reserves, the Working Balance and Earmarked Reserves. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. They are an essential part of good financial management and assist the Section 151 Officer in providing reassurance to Council on the robustness of the estimates and the adequacy of reserves (see **APPENDIX 7**).

5.30 **The Working Balance** - the current policy has for a number of years been to maintain the level of the General Fund balance at a minimum of £1 million. The General Fund balance at 1 April 2021 was £1.144 million resulting in £0.144 million remaining to support the revenue Budget.

5.31 There is a transfer of £88,000 from Working Balances in 2022/23.

5.32 Revised projected movements in Working Balances are set out below:

Table 4: Projected Movement of Working Balances

	2021-22	2022-23	2023-24	2024-25
	£000	£000	£000	£000
Balance b/f	0.144	0.144	0.056	(2.749)
Change in year	-	(0.088)	(2.805)	(3.140)
Balance c/f	0.144	0.056	(2.749)	(5.889)

5.33 The Council holds a number of earmarked reserves for specific purposes. A summary of earmarked reserves and capital funds incorporating their planned use over the next four years is set out in **APPENDIX 6**.

5.34 **APPENDIX 7** sets out the required report on the robustness of the budget estimates and the adequacy of the Council's reserves.

Capital Programme 2022-23 to 2024-25

5.35 The updated Capital Programme is attached as **APPENDIX 2** and **APPENDIX 3**. The key changes to the Capital Programme are the inclusion of the Levelling Up Fund expenditure of £38.4 million giving a total anticipated spend of £44 million on Levelling Up.

5.36 The Community Infrastructure Levy (CIL) supports the Capital Programme through approved allocations to fund infrastructure. Recommendations from the CIL Working Group are attached in **APPENDIX 4**.

Council Tax Base and Collection Fund

5.37 The final part of the consideration of the Budget is the Council Tax Base. This is the number of properties in the district expressed in terms of Band D equivalents.

5.38 The Council's Tax Base is now estimated to be 29,458.15 representing an increase of 1.1% on 2021-22. The increase reflects the net increase in new properties built, offset by the cost of the Local Council Tax Reduction scheme.

5.39 The Tax Base has been calculated as follows:

Council Tax base for budget setting purposes	33,189.89
Less: impact of Local Council Tax Reduction Scheme	-3,731.74
	29,458.15

5.40 The Local Council Tax Reduction element of the Council Tax Base shows an increase of 125.83 as compared to 2021-22 and is likely to be as a result of COVID 19.

5.41 Details of the tax base broken down over parishes is set out in **APPENDIX 8** and as in previous years, tax bases have been amended to ensure Parish Councils are not disadvantaged by the LCTR scheme. A grant allocation is credited to Parish Councils to ensure that in setting their precepts, no additional charge is required due to any change in the operation of the LCTR scheme.

5.42 The Council's Collection Fund has been reviewed as part of the budget process and is expected to break even in 2022-23.

5.43 In determining the level of Council Tax for 2022-23 Cabinet will need to take into account the medium-term financial position and the Council Tax Referendum Thresholds.

5.44 The current approved budget of the Council assumes that Council Tax will increase by 1.95% for 2022-23.

5.45 This proposed increase is within the guidelines for district councils as contained in the 2022-23 Provisional Settlement, which requires a referendum if the threshold is exceeded, the threshold being an increase of 2% (or up to £5) whichever is the higher.

5.46 The proposed level of Cannock Chase's Council Tax for 2022-23 is £230.04 for a Band D property with the overall level of Council Tax subject to final determination by Council on 2 March 2022. The figures set out in this report may require minor amendment if any further information emerges before then. Such an increase amounts to £4.40 on a Band D property, or less than 9p per week.

5.47 The total Council Tax for the District will reflect the spending decision made by the County Council, the Office of the Police and Crime Commissioner and the Fire Authority. In addition, in certain areas, parish council precepts are also added to the overall bill.

Financial Planning

5.48 The Financial Plan was updated last year to reflect the impact of COVID 19. No Financial Plan was presented to the Council this year, so information relevant to the indicative budgets for 2023-24 and 2024-25 has been included in this report.

5.49 The Council has previously received Government financial support to address the additional cost pressures borne by the Council in responding to the pandemic. However, the Council has been required to meet a significant proportion of the loss of income from sales, fees and charges. The impact of COVID 19 has had, and continues to have a material impact on the financial position of the Council for the foreseeable future.

5.50 A new financial regime for local government was intended to be introduced with effect from 1 April 2021, then from 1 April 2022, but as a result of the pandemic this has been delayed until 2023-24. The ongoing funding for the Council remains unclear with detailed work on the new regime being delayed and hence no indicative funding levels being available. The changes to the local government financial regime include:

- Business Rates Retention
- Reset of Business Rates
- Fair Funding Review.

5.51 It is impossible to determine how both Core and Incentive based funding will change under the new regime. Material variances exist between the best /worst case future scenarios and it is essential that a prudent approach is adopted until further details become available. This is particularly relevant in relation to the assumptions made in relation to the ongoing impact of COVID19, the potential for further Government support and the radical overhaul of the local government financial regime.

5.52 The Council has at the present date effectively no uncommitted capital resources. Its future programme will be financed by the generation of Capital Receipts and Prudential borrowing subject to its financing being prudent, sustainable and affordable,

5.53 Given the forecast for the financial position at the end of 2022-23 and the future budget pressures highlighted above, the Council is going to need to find savings for delivery in 2023-24. The review of further shared services could deliver savings but at this point the business case is awaited and no decision has been made on whether to proceed. Alongside the work on the shared services business case, further work will be undertaken to identify options to deliver savings or generate income, of a magnitude that goes towards meeting the projected shortfalls in 2023-24 and 2024-25.

6 Implications

6.1 **Financial**

Contained within the report.

6.2 **Legal**

None.

6.3 **Human Resources**

None.

6.4 **Risk Management**

Set out in full in **APPENDIX 9.**

6.5 **Equality & Diversity**

None.

6.6 **Climate Change**

A costed Climate Change Action Plan is being prepared and will be subject to consideration as part of future year's budget processes. Any interim measures that cannot be contained within existing budgets will be subject to separate reports to Cabinet and Council as appropriate.

7 Appendices to the Report

Appendix 1: Detailed Portfolio Budgets and Variation Statements

Appendix 2: Capital Programme 2021-22 to 2024-25

Appendix 3: General Fund and Section 106 Capital Budgets 2021/22 to 2024/25

Appendix 4: Community Infrastructure Levy (CIL) Allocation Process and Recommendations

Appendix 5: Business Rates Retention - Retained Income

Appendix 6: Other General Fund Earmarked Reserves

Appendix 7: Report of the Chief Finance Officer on the Robustness of the Budget Estimates and the Adequacy of the Council's Reserves

Appendix 8: Council Tax Base 2022-23

Appendix 9: Working Balance - Financial Risks Facing the Authority.

Previous Consideration

None.

Background Papers

Files available in Financial Services.

Community Engagement, Health & Well Being

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Benefits Payments					
	Transfer Payments	15,643,870			
Total	**Expenditure**	**15,643,870**	**14,375,860**	**13,209,280**	**13,209,280**
	Income	(15,875,190)	(14,607,180)	(13,440,600)	(13,440,600)
Total	**Income**	**(15,875,190)**	**(14,607,180)**	**(13,440,600)**	**(13,440,600)**
Benefits Payments Net Expenditure		**(231,320)**	**(231,320)**	**(231,320)**	**(231,320)**
2 Food Safety					
	Employee Expenses	350,510	318,900	330,420	340,970
	Transport Related Expenditure	10,140	10,240	10,340	10,440
	Supplies & Services	48,070	48,410	48,740	49,080
Total	**Expenditure**	**408,720**	**377,550**	**389,500**	**400,490**
	Income	(5,500)	(5,500)	(5,500)	(5,610)
Total	**Income**	**(5,500)**	**(5,500)**	**(5,500)**	**(5,610)**
Food Safety Net Expenditure		**403,220**	**372,050**	**384,000**	**394,880**
3 Management & Administration					
	Employee Expenses	65,090	67,900	70,580	73,320
	Transport Related Expenditure	130	130	130	130
	Supplies & Services	650	660	670	680
Total	**Expenditure**	**65,870**	**68,690**	**71,380**	**74,130**
Management & Administration Net Expenditure		**65,870**	**68,690**	**71,380**	**74,130**
4 Mortuary					
	Employee Expenses	47,330	49,060	50,620	52,120
	Premises Related Expenditure	20,810	21,180	21,520	21,720
	Supplies & Services	21,380	21,570	21,760	21,940
Total	**Expenditure**	**89,520**	**91,810**	**93,900**	**95,780**
	Income	(105,750)	(107,860)	(109,970)	(109,970)
Total	**Income**	**(105,750)**	**(107,860)**	**(109,970)**	**(109,970)**
Mortuary Net Expenditure		**(16,230)**	**(16,050)**	**(16,070)**	**(14,190)**
5 Licensing					
	Employee Expenses	165,540	171,900	177,690	183,710
	Transport Related Expenditure	4,680	4,730	4,780	4,830
	Supplies & Services	36,180	36,560	36,940	37,320
Total	**Expenditure**	**206,400**	**213,190**	**219,410**	**225,860**
	Income	(277,200)	(282,640)	(288,190)	(293,860)
Total	**Income**	**(277,200)**	**(282,640)**	**(288,190)**	**(293,860)**
Licensing Net Expenditure		**(70,800)**	**(69,450)**	**(68,780)**	**(68,000)**
6 Grants & Contributions					
	Supplies & Services	148,640	151,630	153,130	156,190
Total	**Expenditure**	**148,640**	**151,630**	**153,130**	**156,190**
Grants & Contributions Net Expenditure		**148,640**	**151,630**	**153,130**	**156,190**
Community Engagement, Health & Well Being Net Expenditure		**299,380**	**275,550**	**292,340**	**311,690**

Appendix 1

Community Engagement, Health & Wellbeing Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	650	- 42	608	672	- 43	629	12	9	650
Premises Related Costs	21	-	21	22	-	22	-	-	22
Transport Related Costs	15	-	15	15	-	15	-	-	15
Supplies and Services	259	-	259	261	-	261	4	-	265
Transfer Payments	14,376	-	14,376	13,209	-	13,209		-	13,209
Total Expenditure	15,321	- 42	15,279	14,179	- 43	14,136	16	9	14,161
Income	- 15,003	-	- 15,003	- 13,844	-	- 13,844	- 6	-	- 13,850
Net Expenditure	318	**- 42**	276	335	**- 43**	292	10	**9**	311

Community Engagement, Health & Wellbeing Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		3
Transfer staffing to Housing, Heritage and Leisure portfolio		-45
		- 42

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		3
Transfer staffing to Housing, Heritage and Leisure portfolio		-45
minor variations		-1
		- 43

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		11
minor variations		-2
		9

Item No. 7.14

Appendix 1

District Development

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Economic Development					
	Employee Expenses	186,470	273,800	280,920	201,000
	Transport Related Expenditure	2,740	2,770	2,800	2,830
	Supplies & Services	139,490	114,670	70,010	20,180
Total	**Expenditure**	**328,700**	**391,240**	**353,730**	**224,010**
	Income	(15,530)	-	-	-
Total	**Income**	**(15,530)**	-	-	**-**
Economic Development Net Expenditure		**313,170**	**391,240**	**353,730**	**224,010**
2 Management & Support					
	Employee Expenses	439,680	457,600	473,800	488,930
	Transport Related Expenditure	10,690	10,790	10,900	11,010
	Supplies & Services	101,880	84,070	84,900	85,650
Total	**Expenditure**	**552,250**	**552,460**	**569,600**	**585,590**
	Income	(67,210)	(51,820)	(40,170)	(40,980)
Total	**Income**	**(67,210)**	**(51,820)**	**(40,170)**	**(40,980)**
Management & Support Net Expenditure		**485,040**	**500,640**	**529,430**	**544,610**
3 Development Control					
	Employee Expenses	417,980	292,200	303,090	314,250
	Transport Related Expenditure	5,950	6,010	6,070	6,130
	Supplies & Services	94,030	94,430	94,820	95,230
Total	**Expenditure**	**517,960**	**392,640**	**403,980**	**415,610**
	Income	(254,320)	(374,890)	(375,460)	(376,040)
Total	**Income**	**(254,320)**	**(374,890)**	**(375,460)**	**(376,040)**
Development Control Net Expenditure		**263,640**	**17,750**	**28,520**	**39,570**
4 Building Control					
	Employee Expenses	585,530	607,990	627,690	648,470
	Transport Related Expenditure	21,860	22,080	22,300	22,520
	Supplies & Services	66,190	68,150	68,820	69,500
Total	**Expenditure**	**673,580**	**698,220**	**718,810**	**740,490**
	Income	(541,800)	(557,570)	(572,000)	(587,110)
Total	**Income**	**(541,800)**	**(557,570)**	**(572,000)**	**(587,110)**
Building Control Net Expenditure		**131,780**	**140,650**	**146,810**	**153,380**
5 Industrial Sites					
	Premises Related Expenditure	11,290	11,420	11,610	11,730
	Capital Financing Costs	1,610	1,610	1,610	1,610
Total	**Expenditure**	**12,900**	**13,030**	**13,220**	**13,340**
	Income	(115,000)	(115,000)	(115,000)	(115,000)
Total	**Income**	**(115,000)**	**(115,000)**	**(115,000)**	**(115,000)**
Industrial Sites Net Expenditure		**(102,100)**	**(101,970)**	**(101,780)**	**(101,660)**
District Development Net Expenditure		**1,091,530**	**948,310**	**956,710**	**859,910**

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Appendix 1

District Development Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	1,623	8	1,631	1,677	9	1,686	30	- 63	1,653
Premises Related Costs	11	-	11	12	-	12	-	-	12
Transport Related Costs	42	-	42	42	-	42	-	-	42
Supplies and Services	360	1	361	317	1	318	3	- 51	270
Capital Financing Costs	2	-	2	2	-	2		-	2
Total Expenditure	2,038	9	2,047	2,050	10	2,060	33	- 114	1,979
Income	- 1,098	- 1	- 1,099	- 1,115	12	- 1,103	- 11	- 5	- 1,119
Net Expenditure	940	**8**	948	935	**22**	957	22	**- 119**	860

Item No. 7.16

Appendix 1

District Development Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		8
		8

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		9
Reserve funding falling out		12
minor variations		1
		22

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Staffing variations (including increments)		
Economic prosperity strategy falling out		
Employees	-88	
Supplies	-51	-139
Increase in Superannuation		25
minor variations		-5
		-119

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Appendix 1

Environment & Climate Change

	Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Waste & Recycling				
Employee Expenses	278,300	293,810	309,410	323,970
Premises Related Expenditure	2,900	2,930	2,960	2,990
Transport Related Expenditure	5,900	5,990	6,080	6,170
Supplies & Services	83,880	54,580	55,470	55,840
Third Party Payments	2,556,790	3,247,460	3,489,580	3,578,540
Total Expenditure	**2,927,770**	**3,604,770**	**3,863,500**	**3,967,510**
Income	(952,750)	(1,148,540)	(1,155,900)	(937,330)
Total Income	**(952,750)**	**(1,148,540)**	**(1,155,900)**	**(937,330)**
Waste & Recycling Net Expenditure	**1,975,020**	**2,456,230**	**2,707,600**	**3,030,180**
2 Regulatory Services				
Employee Expenses	454,200	476,340	493,740	511,880
Premises Related Expenditure	1,040	1,060	1,080	1,100
Transport Related Expenditure	16,940	17,110	17,280	17,460
Supplies & Services	40,640	41,100	41,520	41,950
Third Party Payments	43,970	44,850	45,750	47,580
Total Expenditure	**556,790**	**580,460**	**599,370**	**619,970**
Income	(21,640)	(22,180)	(22,630)	(23,090)
Total Income	**(21,640)**	**(22,180)**	**(22,630)**	**(23,090)**
Regulatory Services Net Expenditure	**535,150**	**558,280**	**576,740**	**596,880**
3 Cleansing Services				
Premises Related Expenditure	5,870	5,930	5,990	6,050
Supplies & Services	5,530	5,580	5,630	5,680
Third Party Payments	430,790	444,550	457,160	470,460
Total Expenditure	**442,190**	**456,060**	**468,780**	**482,190**
Cleansing Services Net Expenditure	**442,190**	**456,060**	**468,780**	**482,190**
4 Drainage Services				
Premises Related Expenditure	8,610	8,700	8,790	8,880
Total Expenditure	**8,610**	**8,700**	**8,790**	**8,880**
Drainage Services Net Expenditure	**8,610**	**8,700**	**8,790**	**8,880**
5 Street Cleansing				
Employee Expenses	505,030	524,240	541,670	560,130
Premises Related Expenditure	3,390	3,460	3,530	3,600
Transport Related Expenditure	157,650	159,900	162,190	164,510
Supplies & Services	31,820	32,100	32,370	32,640
Total Expenditure	**697,890**	**719,700**	**739,760**	**760,880**
Income	(697,890)	(719,700)	(739,760)	(760,880)
Total Income	**(697,890)**	**(719,700)**	**(739,760)**	**(760,880)**
Street Cleansing Net Expenditure	-	-	-	-

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Environment & Climate Change

Appendix 1

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
6 Countryside Management					
	Employee Expenses	171,870	164,440	170,500	176,830
	Premises Related Expenditure	8,220	8,360	8,500	8,570
	Transport Related Expenditure	12,770	13,030	13,290	13,560
	Supplies & Services	29,090	29,390	29,690	30,000
Total	**Expenditure**	**221,950**	**215,220**	**221,980**	**228,960**
	Income	(26,020)	(13,660)	(13,910)	(13,950)
Total	**Income**	**(26,020)**	**(13,660)**	**(13,910)**	**(13,950)**
Countryside Management Net Expenditure		**195,930**	**201,560**	**208,070**	**215,010**
7 Public Clocks					
	Premises Related Expenditure	5,360	5,520	5,670	5,800
Total	**Expenditure**	**5,360**	**5,520**	**5,670**	**5,800**
Public Clocks Net Expenditure		**5,360**	**5,520**	**5,670**	**5,800**
8 Off Street Parking					
	Premises Related Expenditure	353,110	348,330	354,890	361,360
	Transport Related Expenditure	10	10	10	10
	Supplies & Services	129,280	132,800	136,420	137,780
	Third Party Payments	29,820	30,770	31,650	32,570
Total	**Expenditure**	**512,220**	**511,910**	**522,970**	**531,720**
	Income	(690,480)	(763,280)	(808,420)	(808,430)
Total	**Income**	**(690,480)**	**(763,280)**	**(808,420)**	**(808,430)**
Off Street Parking Net Expenditure		**(178,260)**	**(251,370)**	**(285,450)**	**(276,710)**
9 Bus Shelters					
	Premises Related Expenditure	34,270	34,940	35,610	35,750
Total	**Expenditure**	**34,270**	**34,940**	**35,610**	**35,750**
	Income	(36,120)	(36,840)	(37,580)	(38,330)
Total	**Income**	**(36,120)**	**(36,840)**	**(37,580)**	**(38,330)**
Bus Shelters Net Expenditure		**(1,850)**	**(1,900)**	**(1,970)**	**(2,580)**
10 Conservation Areas					
	Employee Expenses	165,510	173,350	180,370	186,240
	Transport Related Expenditure	5,090	5,140	5,190	5,240
	Supplies & Services	1,970	1,990	2,010	2,030
Total	**Expenditure**	**172,570**	**180,480**	**187,570**	**193,510**
Conservation Areas Net Expenditure		**172,570**	**180,480**	**187,570**	**193,510**
Environment & Climate Change Net Expenditure		**3,154,720**	**3,613,560**	**3,875,800**	**4,253,160**

Appendix 1

Environment & Climate Change Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	1,622	10	1,632	1,686	10	1,696	28	35	1,759
Premises Related Costs	431	- 12	419	439	- 12	427	2	5	434
Transport Related Costs	201	-	201	204	-	204	3	-	207
Supplies and Services	298	-	298	303	-	303	3	-	306
Third Party Payments	3,216	552	3,768	3,313	711	4,024	81	24	4,129
Total Expenditure	5,768	550	6,318	5,945	709	6,654	117	64	6,835
Income	- 2,613	- 91	- 2,704	- 2,654	- 124	- 2,778	- 40	236	- 2,582
Net Expenditure	3,155	**459**	3,614	3,291	**585**	3,876	77	**300**	4,253

Environment & Climate Change Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		7
Waste dual stream and dry recycling contract		
Increase gate fees dry recycling	123	
Additional contract cost dual stream collection	431	
Reduced recycling credits	26	
Staffordshire County Council contribution to dual stream	-237	343
Waste property number changes		-4
Reduced parking income		121
minor variations		-8
		459

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		7
Waste dual stream and dry recycling contract		
Increase gate fees dry recycling	126	
Additional contract cost dual stream collection	603	
Reduced recycling credits	38	
Staffordshire County Council contribution to dual stream	-237	530
Waste property number changes		-19
Reduced parking income		76
minor variations		-9
		585

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		35
Staffordshire County Council contribution to dual stream falling out		237
Waste property number changes		19
minor variations		9
		300

Housing, Heritage & Leisure

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Grounds Maintenance					
	Employee Expenses	703,140	731,640	756,980	783,510
	Premises Related Expenditure	35,390	36,010	36,660	36,860
	Transport Related Expenditure	63,620	64,860	66,130	67,410
	Supplies & Services	159,050	160,610	162,220	163,730
Total	**Expenditure**	**961,200**	**993,120**	**1,021,990**	**1,051,510**
	Income	(961,200)	(994,730)	(1,023,600)	(1,053,190)
Total	**Income**	**(961,200)**	**(994,730)**	**(1,023,600)**	**(1,053,190)**
Grounds Maintenance Net Expenditure		**-**	**(1,610)**	**(1,610)**	**(1,680)**
2 Parks & Open Spaces					
	Employee Expenses	513,500	544,540	501,740	514,840
	Premises Related Expenditure	441,890	450,640	463,030	478,330
	Transport Related Expenditure	20,790	18,840	19,140	19,450
	Supplies & Services	173,250	144,760	136,060	137,170
	Third Party Payments	186,070	191,990	197,440	203,200
Total	**Expenditure**	**1,335,500**	**1,350,770**	**1,317,410**	**1,352,990**
	Income	(149,280)	(148,950)	(84,060)	(84,670)
Total	**Income**	**(149,280)**	**(148,950)**	**(84,060)**	**(84,670)**
Parks & Open Spaces Net Expenditure		**1,186,220**	**1,201,820**	**1,233,350**	**1,268,320**
3 Private Sector Housing					
	Employee Expenses	247,470	299,080	307,530	317,670
	Transport Related Expenditure	11,480	11,600	11,720	11,840
	Supplies & Services	10,120	10,230	10,330	10,440
Total	**Expenditure**	**269,070**	**320,910**	**329,580**	**339,950**
	Income	(45,520)	(46,370)	(47,260)	(48,210)
Total	**Income**	**(45,520)**	**(46,370)**	**(47,260)**	**(48,210)**
Private Sector Housing Net Expenditure		**223,550**	**274,540**	**282,320**	**291,740**
4 Stadium					
	Employee Expenses	42,540	43,530	44,390	45,280
	Premises Related Expenditure	50,030	50,160	50,380	50,510
	Supplies & Services	20,730	20,730	20,730	20,730
Total	**Expenditure**	**113,300**	**114,420**	**115,500**	**116,520**
Stadium Net Expenditure		**113,300**	**114,420**	**115,500**	**116,520**
5 Circular 8/95					
	Supplies & Services	35,520	35,520	35,520	35,520
Total	**Expenditure**	**35,520**	**35,520**	**35,520**	**35,520**
Circular 8/95 Net Expenditure		**35,520**	**35,520**	**35,520**	**35,520**

Housing, Heritage & Leisure

Appendix 1

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
6 Cemeteries					
	Employee Expenses	138,980	144,960	149,890	154,840
	Premises Related Expenditure	63,640	68,100	69,490	70,490
	Transport Related Expenditure	10,490	10,700	10,420	10,620
	Supplies & Services	23,390	23,680	41,070	41,510
Total	**Expenditure**	**236,500**	**247,440**	**270,870**	**277,460**
	Income	(194,390)	(222,010)	(280,500)	(286,050)
Total	**Income**	**(194,390)**	**(222,010)**	**(280,500)**	**(286,050)**
Cemeteries Net Expenditure		**42,110**	**25,430**	**(9,630)**	**(8,590)**
7 Contract Monitoring					
	Employee Expenses	205,640	213,640	220,660	227,960
	Premises Related Expenditure	11,020	11,130	11,240	11,350
	Transport Related Expenditure	10,090	10,260	10,430	10,600
	Supplies & Services	2,830	2,850	2,870	2,890
Total	**Expenditure**	**229,580**	**237,880**	**245,200**	**252,800**
	Income	(48,700)	(50,970)	(53,000)	(55,120)
Total	**Income**	**(48,700)**	**(50,970)**	**(53,000)**	**(55,120)**
Contract Monitoring Net Expenditure		**180,880**	**186,910**	**192,200**	**197,680**
8 Housing Services					
	Employee Expenses	468,010	503,950	514,630	530,480
	Premises Related Expenditure	5,700	5,810	5,920	5,930
	Transport Related Expenditure	2,580	2,600	2,620	2,640
	Supplies & Services	232,460	143,270	144,450	145,240
	Third Party Payments	290	300	310	320
Total	**Expenditure**	**709,040**	**655,930**	**667,930**	**684,610**
	Income	(314,010)	(247,820)	(248,080)	(254,380)
Total	**Income**	**(314,010)**	**(247,820)**	**(248,080)**	**(254,380)**
Housing Services Net Expenditure		**395,030**	**408,110**	**419,850**	**430,230**
9 Leisure Management Contract					
	Premises Related Expenditure	182,590	186,240	189,960	193,750
	Supplies & Services	2,260,550	2,362,400	1,839,480	1,876,270
Total	**Expenditure**	**2,443,140**	**2,548,640**	**2,029,440**	**2,070,020**
	Income	(182,420)	(186,050)	(189,750)	(193,520)
Total	**Income**	**(182,420)**	**(186,050)**	**(189,750)**	**(193,520)**
Leisure Management Contract Net Expenditure		**2,260,720**	**2,362,590**	**1,839,690**	**1,876,500**

Housing, Heritage & Leisure

		Outturn 2021-2022	Budget 2022-2023	Budget 2023-2024	Budget 2024-2025
		£	£	£	£
10	**Leisure, Planning & Marketing**				
	Employee Expenses	209,840	219,510	171,960	176,730
	Transport Related Expenditure	2,110	2,120	2,140	2,160
	Supplies & Services	24,870	60,610	16,420	16,480
Total	**Expenditure**	**236,820**	**282,240**	**190,520**	**195,370**
	Income	(89,920)	(83,420)	(29,260)	(29,470)
Total	**Income**	**(89,920)**	**(83,420)**	**(29,260)**	**(29,470)**
Leisure, Planning & Marketing Net Expenditure		**146,900**	**198,820**	**161,260**	**165,900**
11	**Allotments**				
	Premises Related Expenditure	4,000	4,070	4,150	4,220
Total	**Expenditure**	**4,000**	**4,070**	**4,150**	**4,220**
	Income	(4,640)	(4,640)	(4,640)	(4,640)
Total	**Income**	**(4,640)**	**(4,640)**	**(4,640)**	**(4,640)**
Allotments Net Expenditure		**(640)**	**(570)**	**(490)**	**(420)**
Housing, Heritage & Leisure Net Expenditure		**4,583,590**	**4,805,980**	**4,267,960**	**4,371,720**

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Appendix 1

Housing, Heritage & Leisure Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	2,603	98	2,701	2,576	92	2,668	48	35	2751
Premises Related Costs	802	10	812	820	11	831	27	- 7	851
Transport Related Costs	121	-	121	123	- 1	122	2	1	125
Supplies and Services	2,351	614	2,965	2,399	10	2,409	41	-	2,450
Third Party Payments	192	-	192	197	1	198	4	2	204
Total Expenditure	6,069	722	6,791	6,115	113	6,228	122	31	6,381
Income	- 1,926	- 59	- 1,985	- 1,908	- 52	- 1,960	- 48	- 1	- 2,009
Net Expenditure	4,143	**663**	4,806	4,207	**61**	4,268	74	**30**	4,372

Item No. 7.25

Appendix 1

Housing, Heritage & Leisure Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		11
Transfer of post from Community, Engagement, Health and Wellbeing portfolio		45
Commonwealth Games		44
Increased HRA recharge		-3
Transfer Covid leisure provision from Leader portfolio		559
minor variations		7
		663

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		11
Transfer of post from Community, Engagement, Health and		45
Increased HRA recharge		-3
minor variations		8
		61

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		34
minor variations		-4
		30

Item No. 7.26
Appendix 1

Innovation & High Streets

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Legal Services					
	Third Party Payments	264,060	275,370	284,010	292,640
Total	**Expenditure**	**264,060**	**275,370**	**284,010**	**292,640**
	Income	(176,660)	(184,890)	(192,250)	(199,950)
Total	**Income**	**(176,660)**	**(184,890)**	**(192,250)**	**(199,950)**
Legal Services Net Expenditure		**87,400**	**90,480**	**91,760**	**92,690**
2 Technology					
	Supplies & Services	123,060	123,770	125,240	126,730
	Third Party Payments	759,200	783,210	803,940	823,950
Total	**Expenditure**	**882,260**	**906,980**	**929,180**	**950,680**
	Income	(203,870)	(212,840)	(221,320)	(230,180)
Total	**Income**	**(203,870)**	**(212,840)**	**(221,320)**	**(230,180)**
Technology Net Expenditure		**678,390**	**694,140**	**707,860**	**720,500**
3 Governance					
	Employee Expenses	109,490	113,680	117,160	120,820
	Transport Related Expenditure	1,070	1,080	1,090	1,100
	Supplies & Services	30,720	30,720	31,020	31,320
Total	**Expenditure**	**141,280**	**145,480**	**149,270**	**153,240**
	Income	(29,970)	(30,540)	(22,040)	(19,250)
Total	**Income**	**(29,970)**	**(30,540)**	**(22,040)**	**(19,250)**
Governance Net Expenditure		**111,310**	**114,940**	**127,230**	**133,990**
4 Human Resources					
	Third Party Payments	257,600	268,220	277,150	285,980
Total	**Expenditure**	**257,600**	**268,220**	**277,150**	**285,980**
	Income	(149,990)	(156,960)	(163,210)	(169,750)
Total	**Income**	**(149,990)**	**(156,960)**	**(163,210)**	**(169,750)**
Human Resources Net Expenditure		**107,610**	**111,260**	**113,940**	**116,230**
5 Customer Services					
	Employee Expenses	255,270	264,700	273,790	283,740
	Supplies & Services	105,030	105,890	106,960	107,830
	Third Party Payments	7,000	7,140	7,280	7,570
Total	**Expenditure**	**367,300**	**377,730**	**388,030**	**399,140**
	Income	(96,300)	(100,780)	(104,780)	(108,970)
Total	**Income**	**(96,300)**	**(100,780)**	**(104,780)**	**(108,970)**
Customer Services Net Expenditure		**271,000**	**276,950**	**283,250**	**290,170**
6 Corporate Services					
	Employee Expenses	131,870	136,890	141,550	146,330
	Supplies & Services	98,440	99,310	100,310	101,310
Total	**Expenditure**	**230,310**	**236,200**	**241,860**	**247,640**
	Income	(34,630)	(36,170)	(37,520)	(38,970)
Total	**Income**	**(34,630)**	**(36,170)**	**(37,520)**	**(38,970)**
Corporate Services Net Expenditure		**195,680**	**200,030**	**204,340**	**208,670**

Innovation & High Streets

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
7 Communications					
	Employee Expenses	263,540	275,050	283,810	292,870
	Transport Related Expenditure	3,140	3,170	3,200	3,230
	Supplies & Services	32,130	32,510	32,870	33,240
Total	**Expenditure**	**298,810**	**310,730**	**319,880**	**329,340**
	Income	(24,070)	(24,660)	(25,240)	(25,840)
Total	**Income**	**(24,070)**	**(24,660)**	**(25,240)**	**(25,840)**
Communications Net Expenditure		**274,740**	**286,070**	**294,640**	**303,500**
8 Policy & Performance					
	Employee Expenses	114,090	119,920	125,410	131,230
	Transport Related Expenditure	320	320	320	320
	Supplies & Services	11,010	11,130	11,240	11,350
Total	**Expenditure**	**125,420**	**131,370**	**136,970**	**142,900**
Policy & Performance Net Expenditure		**125,420**	**131,370**	**136,970**	**142,900**
9 Land Charges					
	Employee Expenses	32,330	33,220	34,240	35,330
	Supplies & Services	41,280	41,700	42,120	42,240
Total	**Expenditure**	**73,610**	**74,920**	**76,360**	**77,570**
	Income	(73,610)	(74,940)	(76,380)	(77,450)
Total	**Income**	**(73,610)**	**(74,940)**	**(76,380)**	**(77,450)**
Land Charges Net Expenditure		**-**	**(20)**	**(20)**	**120**
10 Audit					
	Employee Expenses	222,930	234,320	243,490	253,140
	Transport Related Expenditure	1,370	1,380	1,390	1,400
	Supplies & Services	36,700	37,940	38,340	38,810
Total	**Expenditure**	**261,000**	**273,640**	**283,220**	**293,350**
	Income	(117,970)	(122,030)	(125,510)	(129,070)
Total	**Income**	**(117,970)**	**(122,030)**	**(125,510)**	**(129,070)**
Audit Net Expenditure		**143,030**	**151,610**	**157,710**	**164,280**
11 Risk					
	Employee Expenses	161,430	168,660	174,630	180,480
	Transport Related Expenditure	4,210	4,250	4,290	4,330
	Supplies & Services	691,870	698,760	704,760	711,280
Total	**Expenditure**	**857,510**	**871,670**	**883,680**	**896,090**
	Income	(730,910)	(757,650)	(781,860)	(807,030)
Total	**Income**	**(730,910)**	**(757,650)**	**(781,860)**	**(807,030)**
Risk Net Expenditure		**126,600**	**114,020**	**101,820**	**89,060**

Innovation & High Streets

	Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
12 Resilience				
Employee Expenses	18,070	18,880	19,700	20,440
Premises Related Expenditure	140	140	140	140
Supplies & Services	63,360	63,990	64,630	65,290
Total Expenditure	**81,570**	**83,010**	**84,470**	**85,870**
Income	(53,020)	(54,560)	(55,860)	(57,190)
Total Income	**(53,020)**	**(54,560)**	**(55,860)**	**(57,190)**
Resilience Net Expenditure	**28,550**	**28,450**	**28,610**	**28,680**
13 Customer Serv Mgmt (incl Social Alarms)				
Employee Expenses	98,840	104,660	110,030	115,810
Transport Related Expenditure	1,070	1,080	1,090	1,100
Supplies & Services	8,140	8,230	8,320	8,410
Third Party Payments	51,970	53,010	54,070	56,230
Total Expenditure	**160,020**	**166,980**	**173,510**	**181,550**
Income	(105,480)	(110,110)	(114,260)	(118,720)
Total Income	**(105,480)**	**(110,110)**	**(114,260)**	**(118,720)**
Customer Serv Mgmt (incl Social Alarms) Net Expenditure	**54,540**	**56,870**	**59,250**	**62,830**
14 Caretakers and Cleaners				
Employee Expenses	266,680	278,180	288,020	298,170
Premises Related Expenditure	12,890	13,020	13,150	13,280
Transport Related Expenditure	2,210	2,260	2,310	2,360
Supplies & Services	3,560	3,600	3,640	3,680
Total Expenditure	**285,340**	**297,060**	**307,120**	**317,490**
Caretakers and Cleaners Net Expenditure	**285,340**	**297,060**	**307,120**	**317,490**
15 Public Buildings				
Employee Expenses	249,500	258,830	266,080	273,540
Premises Related Expenditure	527,740	589,210	584,460	545,410
Transport Related Expenditure	3,430	3,460	3,490	3,520
Supplies & Services	78,330	52,260	52,740	53,240
Total Expenditure	**859,000**	**903,760**	**906,770**	**875,710**
Income	(366,070)	(437,300)	(428,460)	(385,340)
Total Income	**(366,070)**	**(437,300)**	**(428,460)**	**(385,340)**
Public Buildings Net Expenditure	**492,930**	**466,460**	**478,310**	**490,370**
16 Civic Ballroom				
Premises Related Expenditure	630	640	650	660
Total Expenditure	**630**	**640**	**650**	**660**
Income	(13,980)	(29,980)	(20,040)	(20,040)
Total Income	**(13,980)**	**(29,980)**	**(20,040)**	**(20,040)**
Civic Ballroom Net Expenditure	**(13,350)**	**(29,340)**	**(19,390)**	**(19,380)**

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Appendix 1

<u>Innovation & High Streets</u>

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
17 Hawks Green Depot					
	Employee Expenses	6,420	6,550	6,680	6,750
	Premises Related Expenditure	99,220	86,950	88,580	90,250
	Supplies & Services	18,280	18,840	19,050	19,270
Total	**Expenditure**	**123,920**	**112,340**	**114,310**	**116,270**
	Income	(149,390)	(156,330)	(162,530)	(169,000)
Total	**Income**	**(149,390)**	**(156,330)**	**(162,530)**	**(169,000)**
Hawks Green Depot Net Expenditure		**(25,470)**	**(43,990)**	**(48,220)**	**(52,730)**
18 Vehicles					
	Employee Expenses	145,020	168,910	173,860	178,980
	Premises Related Expenditure	1,080	1,090	1,100	1,110
	Transport Related Expenditure	54,430	55,170	56,260	57,130
	Supplies & Services	10,880	10,990	11,100	11,210
Total	**Expenditure**	**211,410**	**236,160**	**242,320**	**248,430**
	Income	(238,300)	(261,590)	(266,510)	(271,550)
Total	**Income**	**(238,300)**	**(261,590)**	**(266,510)**	**(271,550)**
Vehicles Net Expenditure		**(26,890)**	**(25,430)**	**(24,190)**	**(23,120)**
19 Markets					
	Employee Expenses	70,580	74,230	77,700	81,760
	Premises Related Expenditure	247,460	199,370	177,860	53,640
	Transport Related Expenditure	1,840	1,880	1,900	1,920
	Supplies & Services	69,740	53,720	53,950	32,240
Total	**Expenditure**	**389,620**	**329,200**	**311,410**	**169,560**
	Income	(57,480)	(47,630)	(47,700)	(47,770)
Total	**Income**	**(57,480)**	**(47,630)**	**(47,700)**	**(47,770)**
Markets Net Expenditure		**332,140**	**281,570**	**263,710**	**121,790**
20 Town Centre Management					
	Premises Related Expenditure	239,990	261,090	266,130	266,540
	Supplies & Services	210	210	210	210
Total	**Expenditure**	**240,200**	**261,300**	**266,340**	**266,750**
	Income	(152,120)	(153,100)	(153,120)	(145,940)
Total	**Income**	**(152,120)**	**(153,100)**	**(153,120)**	**(145,940)**
Town Centre Management Net Expenditure		**88,080**	**108,200**	**113,220**	**120,810**
21 Miscellaneous Properties					
	Premises Related Expenditure	6,260	6,370	6,480	6,530
Total	**Expenditure**	**6,260**	**6,370**	**6,480**	**6,530**
	Income	(14,170)	(14,190)	(14,210)	(14,230)
Total	**Income**	**(14,170)**	**(14,190)**	**(14,210)**	**(14,230)**
Miscellaneous Properties Net Expenditure		**(7,910)**	**(7,820)**	**(7,730)**	**(7,700)**
Innovation & High Streets Net Expenditure		**3,329,140**	**3,302,880**	**3,370,190**	**3,301,150**

Item No. 7.30

Appendix 1

Innovation & High Streets Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	2,229	28	2,257	2,309	27	2,336	35	48	2,419
Premises Related Costs	1,156	2	1,158	988	151	1,139	8	- 169	978
Transport Related Costs	74	-	74	75	-	75	1	-	76
Supplies and Services	1,364	29	1,393	1,332	75	1,407	13	- 22	1,398
Third Party Payments	1,381	6	1,387	1,420	6	1,426	57	- 17	1,466
Total Expenditure	6,204	65	6,269	6,124	259	6,383	114	- 160	6,337
Income	- 2,865	- 101	- 2,966	- 2,947	- 66	- 3,013	- 80	57	- 3,036
Net Expenditure	3,339	**- 36**	3,303	3,177	**193**	3,370	34	**- 103**	3,301

Item No. 7.31

Appendix 1

Innovation & High Streets Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		9
Increased cost of Insurance Premiums existing contract		45
Boardwalk and Bridges additional funding		
Premises	62	
Income	-62	0
Additional Lease income		-10
Cannock market hall and shops		
Premises	-54	
Supplies	-17	-71
Increased HRA recharge		-10
minor variations		1
		-36

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		9
Increased cost of Insurance Premiums existing contract		45
Boardwalk and Bridges additional funding		
Premises	48	
Income	-48	0
Cannock market hall and shops (rephase demolition to 23/24)		
Premises	108	
Supplies	29	137
Increased HRA recharge		-10
minor variations		12
		193

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Appendix 1

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		43
Cannock market shops assume demolished 23-24		
Premises	-70	
Supplies	-22	-92
Cannock market shops remove premises costs assume demolished 23-24		-55
Boardwalk and Bridges additional funding falling out		
Premises	-48	
Income	48	0
Shared services		-17
Additional rates		6
minor variations		12
		-103

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Appendix 1

Leader

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Taxation					
	Employee Expenses	2,569,720	2,670,200	2,636,720	2,725,890
	Transport Related Expenditure	23,180	23,410	23,640	23,880
	Supplies & Services	457,090	474,160	481,260	495,220
	Third Party Payments	14,000	14,280	14,570	15,150
Total	**Expenditure**	**3,063,990**	**3,182,050**	**3,156,190**	**3,260,140**
	Income	(2,334,770)	(2,393,920)	(2,320,470)	(2,373,190)
Total	**Income**	**(2,334,770)**	**(2,393,920)**	**(2,320,470)**	**(2,373,190)**
Taxation Net Expenditure		**729,220**	**788,130**	**835,720**	**886,950**
2 Democratic Services					
	Employee Expenses	195,860	206,170	214,660	222,310
	Transport Related Expenditure	3,890	3,930	3,970	4,010
	Supplies & Services	395,940	397,870	399,810	407,620
Total	**Expenditure**	**595,690**	**607,970**	**618,440**	**633,940**
Democratic Services Net Expenditure		**595,690**	**607,970**	**618,440**	**633,940**
3 Elections					
	Employee Expenses	175,310	179,960	185,690	191,030
	Premises Related Expenditure	4,690	4,690	4,790	4,800
	Transport Related Expenditure	250	250	250	250
	Supplies & Services	101,990	102,410	103,300	104,200
Total	**Expenditure**	**282,240**	**287,310**	**294,030**	**300,280**
	Income	(1,190)	(1,210)	(1,230)	(1,260)
Total	**Income**	**(1,190)**	**(1,210)**	**(1,230)**	**(1,260)**
Elections Net Expenditure		**281,050**	**286,100**	**292,800**	**299,020**
4 Executive Management & Support					
	Employee Expenses	265,910	263,710	272,340	281,460
	Transport Related Expenditure	2,620	2,650	2,680	2,710
	Supplies & Services	84,370	85,200	86,080	86,960
Total	**Expenditure**	**352,900**	**351,560**	**361,100**	**371,130**
	Income	(12,360)			-
Total	**Income**	**(12,360)**			**-**
Executive Management & Support Net Expenditure		**340,540**	**351,560**	**361,100**	**371,130**
5 Finance					
	Employee Expenses	1,007,300	1,138,690	1,180,230	1,220,110
	Transport Related Expenditure	3,600	3,640	3,680	3,720
	Supplies & Services	171,820	140,580	141,980	143,360
Total	**Expenditure**	**1,182,720**	**1,282,910**	**1,325,890**	**1,367,190**
	Income	(878,820)	(977,810)	(976,130)	(1,009,240)
Total	**Income**	**(878,820)**	**(977,810)**	**(976,130)**	**(1,009,240)**
Finance Net Expenditure		**303,900**	**305,100**	**349,760**	**357,950**

Appendix 1

Leader

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
6 Corporate Management					
	Supplies & Services	133,900	134,990	136,340	137,710
Total	**Expenditure**	**133,900**	**134,990**	**136,340**	**137,710**
	Income	(41,100)	(43,010)	(44,720)	(46,510)
Total	**Income**	**(41,100)**	**(43,010)**	**(44,720)**	**(46,510)**
Corporate Management Net Expenditure		**92,800**	**91,980**	**91,620**	**91,200**
7 Non Distributed Costs					
	Employee Expenses	321,480	328,110	334,670	334,670
Total	**Expenditure**	**321,480**	**328,110**	**334,670**	**334,670**
	Income	(40,800)	(41,620)	(42,450)	(43,300)
Total	**Income**	**(40,800)**	**(41,620)**	**(42,450)**	**(43,300)**
Non Distributed Costs Net Expenditure		**280,680**	**286,490**	**292,220**	**291,370**
8 Excluded Items					
	Employee Expenses	43,500	44,370	45,260	46,170
	Supplies & Services	227,910	60,000	339,000	339,000
Total	**Expenditure**	**271,410**	**104,370**	**384,260**	**385,170**
	Income	(660,100)	(755,210)	(814,450)	(848,190)
Total	**Income**	**(660,100)**	**(755,210)**	**(814,450)**	**(848,190)**
Excluded Items Net Expenditure		**(388,690)**	**(650,840)**	**(430,190)**	**(463,020)**
Leader Net Expenditure		**2,235,190**	**2,066,490**	**2,411,470**	**2,468,540**

Item No. 7.35

Appendix 1

Leader of the Council Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	4,467	364	4,831	4,611	258	4,869	79	74	5,022
Premises Related Costs	4	1	5	5	-	5	-	-	5
Transport Related Costs	34	-	34	34	-	34	-	1	35
Supplies and Services	1,882	- 487	1,395	1,615	73	1,688	19	7	1,714
Third Party Payments	14	-	14	15	- 1	14	1	-	15
Total Expenditure	6,401	- 122	6,279	6,280	330	6,610	99	82	6,791
Income	- 3,861	- 352	- 4,213	- 4,045	- 154	- 4,199	- 98	- 25	- 4,322
Net Expenditure	2,540	**- 474**	2,066	2,235	**176**	2,411	1	**57**	2,469

Item No. 7.36

Appendix 1

Leader of the Council Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		12
Pay freeze salary above £24,000 removed		
Employees	147	
Income (hra recharges)	-37	110
Staffing variations		19
Non distributed reduced pension costs		
Excluded items - potential Covid impact		60
Transfer Covid parking income provision to Environment and Climate Change portfolio		-108
Transfer Covid leisure provision to Housing, Heritage and Leisure portfolio		-559
Increased hra recharges		-7
minor variations		-1
		- 474

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		13
Pay freeze salary above £24,000 removed		
Employees	147	
Income (hra recharges)	-37	110
Staffing variations		98
Non distributed reduced pension costs		
Excluded items - potential Covid impact		60
Transfer Covid parking income provision to Environment and Climate Change portfolio		-54
Increased hra recharges		-7
Shared services		-44
minor variations		
		176

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		73
Shared services		-17
minor variations		1
		57

Item No. 7.37

Appendix 1

Neighbourhood Safety & Partnerships

		Outturn 2021-2022 £	Budget 2022-2023 £	Budget 2023-2024 £	Budget 2024-2025 £
1 Partnerships					
	Employee Expenses	202,860	201,130	209,050	215,830
	Premises Related Expenditure	18,210	18,580	18,950	19,040
	Transport Related Expenditure	2,420	2,450	2,480	2,510
	Supplies & Services	8,340	8,430	8,520	8,610
Total	**Expenditure**	**231,830**	**230,590**	**239,000**	**245,990**
	Income	(10,420)			-
Total	**Income**	**(10,420)**			**-**
Partnerships Net Expenditure		**221,410**	**230,590**	**239,000**	**245,990**
2 CCTV					
	Employee Expenses	141,110	146,150	151,220	156,310
	Premises Related Expenditure	9,690	9,880	10,080	10,280
	Supplies & Services	83,520	84,370	85,220	86,070
Total	**Expenditure**	**234,320**	**240,400**	**246,520**	**252,660**
	Income	(51,570)	(52,950)	(54,180)	(55,470)
Total	**Income**	**(51,570)**	**(52,950)**	**(54,180)**	**(55,470)**
CCTV Net Expenditure		**182,750**	**187,450**	**192,340**	**197,190**
Neighbourhood Safety & Partnerships Net Expenditure		**404,160**	**418,040**	**431,340**	**443,180**

Item No. 7.38

Appendix 1

Neighbourhood safety & Partnerships Portfolio

Variation Statement 2022/2023 to 2024/2025

	2022/23 Indicative	Real Terms / Efficiency Variations	2022/2023 Budget	2023/24 Indicative	Real Terms / Efficiency Variations	2023/2024 Budget	Inflation	Real Terms / Efficiency Variations	2024/2025 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employee Costs	346	1	347	359	1	360	6	6	372
Premises Related Costs	29	-	29	29	-	29	-	-	29
Transport Related Costs	2	-	2	2	-	2	-	1	3
Supplies and Services	93	-	93	94	-	94	1	-	95
Total Expenditure	470	1	471	484	1	485	7	7	499
Income	- 53	-	- 53	- 54	-	- 54	- 1	- 1	- 56
Net Expenditure	417	**1**	418	430	**1**	431	6	**6**	443

Item No. 7.39

Appendix 1

Neighbourhood safety & Partnerships Portfolio

Proposed Real Terms / Efficiency Variations

2022/23 Change

	£'000	£'000
Real Term Variations		
NI Increase		1
		1

2023/24 Change

	£'000	£'000
Real Term Variations		
NI Increase		1
		1

2023/24 to 2024/25 Change

	£'000	£'000
Real Term Variations		
Increase in Superannuation		6
		6

Item No. 7.40

Appendix 2

Capital Programme 2021-22 to 2024-25

	Total Programme Revised	General Fund	Section 106
	£000	£000	£000
LEADER			
Financial Management System	47	47	-
Total Leader	**47**	**47**	**-**
ENVIRONMENT & CLIMATE CHANGE			
Wheelie Bin Replacement	383	383	-
Dry Mixed Recycling bags	101	101	-
Replacement Vehicles - countryside	38	38	-
Car Park Improvements	202	202	-
Replacement Vehicles - cleansing	15	15	-
Total Environment & Climate Change	**739**	**739**	**-**
NEIGHBOURHOOD SAFETY & PARTNERSHIPS			
CCTV	67	67	-
Total Neighbourhood Safety & Partnerships	**67**	**67**	**-**
HOUSING, HERITAGE & LEISURE			
Disabled Facilities Grants	5,620	5,620	-
Private Sector Decent Homes	17	17	-
Homelessness & Rough Sleeping Pathway Project	145	145	-
Home Security Grants	32	32	-
Additional Cemetery Provision	327	327	-
Stile Cop Cemetery Modular build	60	60	-
Hednesford Park Improvements (part s106 funding)	174	155	19
Stadium Development (Phase 2)	401	276	125
Relocation Arthur Street Play Area (s106)	3	-	3
Multi Use Games Area, Laburnum Avenue (s106)	121	-	121
Heath Hayes Park/Pitch Refurbishment	115	-	115
Replacement Vehicles - Cemeteries	51	51	-
Play area and Open space Rugeley, Fortescue Lane	48	-	48
Play Area and Open Space Penny Cress Green	186	-	186
Rugeley ATP	843	422	421
Cannock East (CIL)	210	-	210
Commonwealth Games Mountain Bike	50	50	-
Commonwealth Games Legacy	50	50	-
Rugeley Swimming Pool	394	394	-
Rugeley LC Boiler	190	190	-
Play Areas Devlopments & Refurbishments	150	150	-
Prince of Wales Theatre	51	51	-
Total Housing, Heritage & Leisure	**9,238**	**7,990**	**1,248**

Item No. 7.41

Appendix 2 (continued)

	Total Programme Revised	General Fund	Section 106
	£000	£000	£000
DISTRICT DEVELOPMENT			
Economic Development & Physical Assets	176	176	-
Levelling Up Fund	44,045	44,045	-
Lets Grow Grants	38	38	-
Bridges and Broadwalk	110	26	84
Cycle Storage & CCTV	23	-	23
Chadsmoor Infant & Nurs Modular build (CIL)	162	-	162
Five Ways Primary Modular build (CIL)	160	-	160
Etching Hill CE Primary Modular build (CIL)	393	-	393
John Bamford Primary Modular build (CIL)	173	-	173
Rugeley Train Station Access (CIL)	162	-	162
Total District Devlopemnt	**45,442**	**44,285**	**1,157**
INNOVATION & HIGH STREETS			
Hawks Green Rationalisation	9	9	-
Total Innovation & High Streets	**9**	**9**	**-**
TOTAL CAPITAL PROGRAMME	**55,542**	**53,137**	**2,405**

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Appendix 3

General Fund and Section 106 Capital Budgets 2021/22 to 2024/25

	2021/22 Revised	2022/23	2023/24	2024/25	Approved
LEADER	**£000**	**£000**	**£000**	**£000**	**£000**
Financial Management System	47	-	-	-	-
Total Leader	**47**	**-**	**-**	**-**	**-**
ENVIRONMENT & CLIMATE CHANGE					
Wheelie Bin Replacement	133	90	80	80	-
Dry Mixed Recycling bags	101	-	-	-	-
Replacement Vehicles - countryside	-	-	-	-	38
Car Park Improvements	-	-	-	-	202
Replacement Vehicles - cleansing	-	-	-	-	15
	234	**90**	**80**	**80**	**255**
NEIGHBOURHOOD SAFETY AND PARTNERSHIPS					
CCTV	-	-	-	-	67
Total Crime & Partnerships	**-**	**-**	**-**	**-**	**67**
HOUSING, HERITAGE & LEISURE					
Disabled Facilities Grants	1,025	1,925	1,051	1,051	568
Private Sector Decent Homes	7	10	-	-	-
Homelessness & Rough Sleeping Pathway Project	145	-	-	-	-
Home Security Grants	17	15	-	-	-
Additional Cemetery Provision	327	-	-	-	-
Stile Cop Cemetery Modular build	-	60	-	-	-
Hednesford Park Improvements (part s106 funding)	-	-	-	-	174
Stadium Development (Phase 2)	81	320	-	-	-
Relocation Arthur Street Play Area (s106)	-	-	-	-	3
Multi Use Games Area, Laburnum Avenue (s106)	-	-	-	-	121
Heath Hayes Park/Pitch Refurbishment	-	-	-	-	115
Replacement Vehicles - Cemeteries	-	-	-	-	51
Play area and Open space Rugeley, Fortescue Lane	48	-	-	-	-
Play Area and Open Space Penny Cress Green	186	-	-	-	-
Rugeley ATP	843	-	-	-	-
Cannock East (CIL)	-	-	-	-	210
Commonwealth Games Mountain Bike	50	-	-	-	-
Commonwealth Games Legacy	50	-	-	-	-
Rugeley Swimming Pool	394	-	-	-	-
Rugeley LC Boiler	190	-	-	-	-
Play Areas Devlopments & Refurbishments	50	50	50	-	-
Prince of Wales Theatre	-	51	-	-	-
Total Housing, Heritage & Leisure	**3,413**	**2,431**	**1,101**	**1,051**	**1,242**
DISTRICT DEVELOPMENT					
Economic Development & Physical Assets	176	-	-	-	-
Levelling Up Fund	-	-	-	-	44,045
Lets Grow Grants	18	20	-	-	-
Bridges and Broadwalk	40	70	-	-	-
Cycle Storage & CCTV	23	-	-	-	-
Chadsmoor Infant & Nurs Modular build (CIL)	-	-	-	-	162
Five Ways Primary Modular build (CIL)	-	-	-	-	160
Etching Hill CE Primary Modular build (CIL)	-	-	-	-	393
John Bamford Primary Modular build (CIL)	-	-	-	-	173
Rugeley Train Station Access (CIL)	-	-	-	-	162
Total District Development	**257**	**90**	**-**	**-**	**45,095**
INNOVATION & HIGH STREETS					
Hawks Green Rationalisation	9	-	-	-	-
Total Innovation & High Streets	**9**	**-**	**-**	**-**	**-**
TOTAL CAPITAL PROGRAMME	**3,960**	**2,611**	**1,181**	**1,131**	**46,659**

Item No. 7.43

Appendix 4

Community Infrastructure Levy (CIL) Allocations Process and Recommendations 2021/2022

Contents

1. Introduction

1.1 The Council approved the Community Infrastructure Levy (CIL) Charging Schedule and Regulation 123 List (now CIL Infrastructure List – see Cabinet Report 17/10/19) of infrastructure projects eligible to receive funding at its meeting on 15/04/15.

1.2 CIL is intended to provide a funding stream for infrastructure needed to support the policies and proposals in the adopted Local Plan. It will partly replace funding previously obtained via Planning Obligations (Section 106 agreements and Unilateral Undertaking). CIL and Section 106 agreements can be used to fund the same piece of infrastructure, following amendments made to the CIL Regulations in September 2019.

1.3 The total amount of CIL receipts retained and available for expenditure at the end of 2020/21 financial year were £2,046,211.17.

1.4 The protocol for the allocation of CIL funds, approved by Cabinet (23/07/15), sets out the system which the allocations process must follow. Table 1 shows the approved processes and approximate timescales.

Table 1

Date	Action
By 30th June	Invite bids from stakeholders for inclusion in the three-year CIL Infrastructure Capital Programme
By 1st September	Deadline for bids for projects submitted
September	Initial assessment of submissions by officers and Cabinet Member
By 30th September	Consultation event to share and review aspirations/priorities with stakeholders who have submitted bids.
By 31st October	Prepare draft programme of projects
By 30th November	Feedback to stakeholders
By 31st December	Prepare recommendations
February	Report to Cabinet/Council

2. Invitations to Bid

2.1 'Invitation to Bid' letters were emailed to stakeholders who had projects identified in the CIL Infrastructure List (formerly Regulation 123 List) outlining an 8 week consultation period with the deadline for submissions being 30th July 2021. Stakeholders were also invited to make comments on the Councils existing CIL Infrastructure List for any minor amendments i.e. project costs, any alternative funding identified. No new projects were to be included as part of this years update. Accompanying the letter was an 'Expression of Interest' form on which the bids were to be submitted. This letter was emailed to the following stakeholders:

- Staffordshire County Council
- Cannock Chase District Council Head of Environmental and Healthy Lifestyles
- West Midlands Trains

- Environment Agency
- Cannock Chase District Council Waste and Engineering Services Manager

2.2 A 'Community Infrastructure Levy (CIL) Allocations Process Guidance Document' was emailed to stakeholders which was based on the protocol set out in Cabinet Report 23/07/2015 and updated 26th March 2020. This update provided clarification on retrospective bids and reflected legislative changes.

2.3 Approved protocol outlined that allocation of neighbourhood funds in non-parish areas would be determined via consultation with Ward Members. Members of wards with CIL neighbourhood portions retained were informed that the Council was carrying out an allocations process. They were made aware of the amount currently retained by Cannock Chase Council for their ward which is demonstrated in Table 2.

Table 2

Ward	CIL Funds Retained
Cannock East	£223,453
Cannock South	£9,401
Cannock West	£4,597
Cannock North	£1,954
Rawnsley	£3,366

2.4 Members were informed of the process by which these funds could be allocated and spent. All members of the relevant ward would need to demonstrate they are in agreement on which project they wish the funds to be spent and how much. These could then be transferred to the relevant stakeholder once this has been approved by the Head of Finance and Head of Economic Prosperity.

3. Bids Received

3.1 Cannock Train Station Redevelopment

Applicant:	Clare Horton, Connectivity Strategy Officer, Staffordshire County Council
Summary:	This funding application is specifically in relation to funding to further develop the Project to Outline Business Case and produce a Grip 3 Report as required as part of Network Rail's development process. The project will propose the redevelopment of existing station facilities and car park including improved waiting facilities, platform canopies, WC's café, platform widening, improved audio-visual management systems (including CCTV), improved customer information systems, wayfinding, improved lighting, ticket machine to Northbound Platform, free Wi-Fi, car park improvement and provision and PRM compliant footpath/ramp.
CIL funds requested	£400,000
Delivery	By December 2025
Third parties	Staffordshire County Council, Cannock Chase District Council, West Midlands Rail Executive & West Midlands Trains
Declaration of interest	Dean Piper

3.2 Chadsmoor Community Infant & Nursery School – Replacement of temporary modular accommodation

Applicant:	Tim Moss, Assistant Director for Education Strategy and Improvement, Staffordshire County Council
Summary:	Replacement of temporary modular building with permanent build classroom.
CIL funds requested	£162,314.50
Delivery	Q3 2023/21
Third parties	Chadsmoor Community Infant & Nursery School, Staffordshire County Council and Entrust Support Services
Declaration of interest	None.

3.3 Etching Hill CE Primary School – Replacement of temporary modular accommodation

Applicant:	Tim Moss, Assistant Director for Education Strategy and Improvement, Staffordshire County Council
Summary:	Replace three poor quality classrooms currently housed in tow temporary modular buildings with a permanent build of 3 classrooms.
CIL funds requested	£536,578
Delivery	Q3 2023/24
Third parties	Future Generation Academy Trust, Etching Hill CE Primary Academy, Lichfield Diocese and Entrust
Declaration of interest	Councillor Sutherland

3.4 Five Ways Primary School – Replacement of temporary modular accommodation

Applicant:	Tim Moss, Assistant Director for Education Strategy and Improvement, Staffordshire County Council
Summary:	This project will replace a temporary modular building with a permanent build classroom
CIL funds requested	£159,374.50
Delivery	Q3 2023/24
Third parties	Five Ways Primary School, Staffordshire County Council, Entrust Support Services
Declaration of interest	None.

3.5 The John Bamford Primary School – Replacement of temporary modular accommodation

Applicant:	Tim Moss, Assistant Director for Education Strategy and Improvement, Staffordshire County Council
Summary:	Replace three poor quality classroom currently quality classroom currently housed in a single temporary modular building with a permanent build.
CIL funds requested	£172,799
Delivery	Q3 2023/24

Third parties	The John Bamford Primary School, Staffordshire County Council, Entrust Support Services
Declaration of interest	None.

4. Assessment of Bids

4.1 The approved protocol sets out that a group of both officers and members will assess bids received and conclude whether they recommend that CIL funds are allocated to the project or not based on the following criteria:

- The connection to relevant Local Plan (Part 1) policies will be considered together with an overall assessment of the economic, social and environmental benefits of the project.
- The amount of CIL requested and its relationship to other sources of funding will be considered, including potential leverage of match funding and use of Section 106 funds.
- Evidence of deliverability and arrangements for ongoing maintenance/management
- Priority will be given to Capital schemes, although revenue funding via maintenance of associated assets will also be eligible.

4.2 The membership of the CIL Joint Member/Officer Working Group consisted of the following:

- Head of Economic Prosperity – Chair
- Head of Finance
- Cabinet Member – Portfolio Holder for District Development
- Planning Services Manager and/or Planning Policy Manager

4.3 Initial assessments of the bids received were carried out on 6th September 2021. This was an opportunity for the group to highlight any questions they may have for stakeholders or matters they think require further clarification.

4.4 The issues raised for further clarification for each bid were emailed to the relevant stakeholder to give them the opportunity to provide additional information to inform the final assessment of bids.

4.5 Responses from stakeholders were presented to the CIL Joint Member/Officer Working Group at the final assessment of bids arranged on 22nd November 2021, along with any further evidence/information stakeholders had provided.

5. Recommendations

5.1 The outcome and recommendations to Council are set in Table 4. The total amount of CIL monies recommended to be allocated to each project is outlined in Table 3 below:

Table 3

Chadsmoor Infant & Nursey School – Replacement of temporary modular building	Up to £162,314.50
Five Ways Primary School – Replacement of temporary modular building	Up to £159,374.50
Etching Hill CE Primary Academy - Replacement of temporary modular building	Up to £393,289,00
The John Bamford Primary School - Replacement of temporary modular building	Up to £172,799.00
Total	**£887,777**

Table 4

Bid	Recommendation	Conditions	Reasons for Recommendations
Cannock Train Station Redevelopment	CIL funds not allocated to this project at this stage.	N/A	It is not possible to fund the project, as the project is still not clearly defined and there is no certainty regarding funding or delivery. This stage of the project would not be considered capital and would therefore not qualify for CIL funding.
Chadsmoor Infant & Nursery School – Replacement of temporary modular building with permanent building.	Up to £162.314.50 of CIL funds are allocated to this project.	▪ The project should be completed in 5 years of the CIL grant offer letter ▪ The Council would like to see a high level of energy and environmental performance of the new buildings that exceeds the minimum standards in place at the time of construction.	▪ Moderate links to several Local Plan Policies demonstrated – Links to National Planning Policy Framework (NPPF), Infrastructure Delivery Plan (IDP), Cannock Chase Corporate Plan and Local Plan Part 1 ▪ Moderate economic, social and environmental benefits demonstrated – promotes sustainable school travel and healthy communities, contributes towards prosperous places and community wellbeing and will provide high quality infant school places for local children and will result in an improvement to the school environment for delivery of the school's curriculum offer. ▪ Provides significant leverage of match funding – 51.5% from Staffordshire County Council and Chadsmoor Community Infant and Nursery School. ▪ Other sources of funding unlikely to be found within next 5 years ▪ Constraints and risks identified that appear readily overcome, with some concerns. ▪ Landlord approval granted, planning permission required. ▪ Some financial and programme risks identified but have outlined measures to manage these.
Five Ways Primary School - Replacement of temporary modular building with permanent building.	Up to £159,374.50 of CIL funds are allocated to this project.	▪ The project should be completed in 5 years of the CIL grant offer letter ▪ The Council would like to see a high level of energy and environmental performance of the new buildings that exceeds the minimum standards in place at the time of construction.	▪ Moderate links to several Local Plan Policies demonstrated – Links to National Planning Policy Framework (NPPF), Infrastructure Delivery Plan (IDP), Cannock Chase Corporate Plan and Local Plan Part 1 ▪ Moderate economic, social and environmental benefits demonstrated – promotes sustainable school travel and healthy communities, contributes towards prosperous places and community wellbeing and will provide high quality infant school places for local children and will result in an improvement to the school environment for delivery of the school's curriculum offer. ▪ Provides significant leverage of match funding – 51.5% from Staffordshire County Council and Chadsmoor Community Infant and Nursery School. ▪ Other sources of funding unlikely to be found within next 5 years ▪ Constraints and risks identified that appear readily overcome, with some concerns. ▪ Landlord approval granted, planning permission required. ▪ Some financial and programme risks identified but have outlined measures to manage these.

Bid	Recommendation	Conditions	Reasons for Recommendations
Etching Hill CE Primary Academy - Replacement of temporary modular building with permanent building.	Up to £393,289 of CIL funds are allocated to this project.	▪ Additional capital funding is sought and secured by Staffordshire County Council for the project. Cannock Chase will provide CIL funding for a maximum of £393,289 (50% match funding) for this project. Evidence of match funding should be provided prior to acceptance of CIL grant funding. ▪ Written evidence of Lichfield Diocese support of the project must be provided prior to acceptance of CIL grant funding. ▪ The project should be completed in 5 years of the CIL grant offer letter ▪ The Council would like to see a high level of energy and environmental performance of the new buildings that exceeds the minimum standards in place at the time of construction.	▪ Moderate links to several Local Plan Policies demonstrated – Links to National Planning Policy Framework (NPPF), Infrastructure Delivery Plan (IDP), Cannock Chase Corporate Plan and Local Plan Part 1, ▪ Moderate economic, social and environmental benefits demonstrated – promotes sustainable school travel and healthy communities, contributes towards prosperous places and community wellbeing and will provide high quality infant school places for local children and will result in an improvement to the school environment for delivery of the school's curriculum offer. ▪ Provides some leverage of match funding – 32% from Etching Hill Primary Academy Trust. ▪ Other sources of funding could be pursued via the DfE's Cs Condition Improvement Fund if match funding can be provided. ▪ Constraints and risks identified that appear readily overcome, with some concerns. Landlord approval required, planning permission required. Some financial and programme risks identified but have outlined measures to manage these ▪ Proof of support from land owner not provided.
The John Bamford Primary School - Replacement of temporary modular building with permanent building.	Up to £172,799 of CIL funds are allocated to this project.	▪ The project should be completed in 5 years of the CIL grant offer letter ▪ The Council would like to see a high level of energy and environmental performance of the new buildings that exceeds the minimum standards in place at the time of construction.	▪ Moderate links to several Local Plan Policies demonstrated – Links to National Planning Policy Framework (NPPF), Infrastructure Delivery Plan (IDP), Cannock Chase Corporate Plan and Local Plan Part 1, ▪ Moderate economic, social and environmental benefits demonstrated – promotes sustainable school travel and healthy communities, contributes towards prosperous places and community wellbeing and will provide high quality infant school places for local children and will result in an improvement to the school environment for delivery of the school's curriculum offer. ▪ Provides significant leverage of match funding – 55% from Staffordshire County Council and Five Ways Primary School. ▪ Other sources of funding unlikely to be found within next 5 years ▪ Constraints and risks identified that appear readily overcome, with some concerns. Landlord approval granted, planning permission required. Some financial and programme risks identified but have outlined measures to manage these.

5.2 Letters were emailed on 30th November 2021, informing bidders of the outcome of their application. Successful applicants were informed that this was only support in principle and would be subject to Council approval and the conditions outlined in Table 3. If Council approves the recommendations made, successful stakeholders will be asked to enter into a grant agreement, which will stipulate the conditions attached to the grant and how funds are released.

5.3 Payment of funding will be in arrears therefore evidence of the projects delivery will need to be provided before funds are released.

5.4 It has been previously agreed that delegated authority is given to the Head of Economic Prosperity and the Head of Finance to approve whether the conditions attached to the grant agreement have been met before funds are released.

6. Non-parished Neighbourhood Funds

6.1 In parished areas, 15% of CIL funds (25% when a neighbourhood plan has been made) are transferred to Parish Councils in respect of that area. In areas that are unparished, it was agreed by Council (see Cabinet report 23/7/15) that these funds would be retained by Cannock Chase District Council and spent in consultation with ward members.

6.2 CIL neighbourhood funds can be spent on projects on the CIL Infrastructure List, projects in which bids have been received or local projects that fall within the following definition:

‘The Local Council have a duty to spend CIL income on providing, improving, replacing, operating or maintaining infrastructure that supports the development of the Local Council area or anything else concerned with addressing the demands that development places on the area.’

Business Rates Retention - Retained Income

		2022/23 50% Scheme £	2023/24 50% Scheme £	2024/25 50% Scheme £
A.Business Rates Collection Fund				
Gross Rates		**45,367,240**	**46,274,580**	**47,200,070**
Less	Reliefs etc.			
	Mandatory Relief	(5,700,650)	(5,814,660)	(5,930,950)
	Discretionary relief	(112,360)	(114,610)	(116,900)
	Exemptions	(1,392,560)	(1,420,410)	(1,448,820)
	Cost Of Collection	(134,200)	(136,880)	(139,620)
	Losses on collection	(1,659,160)	(1,692,340)	(1,726,190)
Business Rates Collectable		**36,368,310**	**37,095,680**	**37,837,590**
Less	amount due to			
	Government	(18,184,160)	(18,547,840)	(18,918,800)
	County	(3,273,150)	(3,338,610)	(3,405,380)
	Fire	(363,680)	(370,960)	(378,380)
Net Business Rates attributable to CCDC		**14,547,320**	**14,838,270**	**15,135,030**
B. General Fund determination of retained Business Rates				
Net Business Rates attributable to CCDC		14,547,320	14,838,270	15,135,040
Less	Tariff	(9,475,390)	(9,664,900)	(9,858,200)
	Reset Partial 50% Growth (20-21	-	(622,960)	(635,419)
Core Funding		(3,045,567)	(3,106,478)	(3,168,610)
Growth		**2,026,363**	**1,443,932**	**1,472,811**
Plus	Small Business Rates Relief	1,385,280	1,412,990	1,441,250
Amount subject to Pool Levy		**3,411,643**	**2,856,922**	**2,914,061**
	Pool Levy	(1,705,820)	(1,428,460)	(1,457,030)
Business Rates Growth		**1,705,823**	**1,428,462**	**1,457,031**
Business Rates Pool Distribution		**682,300**	**571,400**	**582,800**
Retained Business Rates				
	Core Funding	3,045,567	3,106,478	3,168,610
	Growth	1,705,823	1,428,462	1,457,031
	Business Rates Pool Distribution	682,300	571,400	582,800
	Business Rates Pool Agreement	215,000	215,000	215,000
		5,648,690	**5,321,340**	**5,423,441**

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Appendix 6

Other General Fund Earmarked Reserves

	31/03/2022	31/03/2023	31/03/2024	31/03/2025
Revenue	£'000	£'000	£'000	£'000
Building Maintenance Reserve	720	632	584	584
Bond	286	296	307	317
Budget Support	118	106	102	102
Contingency	1,954	1,554	1,554	1,554
Corporate	425	351	277	203
Partner	66	69	71	74
Ring fenced	85	85	85	85
Service Grant	55	55	55	55
Rollovers	190	190	190	190
Shared Services	341	341	341	341
Covid Reserve	1,071	348	348	348
Other	1,524	1,459	1,452	1,444
Donations	6	6	6	6
Grants	1,635	1,454	1,356	1,256
Trading	120	120	120	120
Section 106	2,380	2,265	2,249	2,232
Sub Total	**10,976**	**9,331**	**9,097**	**8,911**
Capital				
Capital	1,080	889	798	707
CIL	2,370	2,370	2,370	2,370
RCCO	15	15	15	15
Earmarked	2,528	2,526	2,526	2,526
Sub Total	**5,993**	**5,800**	**5,709**	**5,618**
Grand Total	**16,969**	**15,131**	**14,806**	**14,529**

Item No. 7.54

Appendix 7

Report of the Chief Finance Officer on the Robustness of the Budget Estimates and the Adequacy of the Council's Reserves

Introduction

Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer (or Section 151 Officer, the Head of Finance) to make a report to the Council on the robustness of budget estimates and the adequacy of the Council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. This is because the Council is setting the council tax before the commencement of the year and cannot increase it during the year. An understanding of the risks of increased expenditure during the year in terms of likelihood and impact is therefore important.

Robustness of Budget Estimates

The Council's budget estimates for 2022-23, including the forecast outturn for 2021-22, have been prepared by appropriately qualified and experienced staff in consultation with service managers. Budgets have been discussed and fully managed by the Leadership Team.

The budget for 2022-23 has been constructed based upon the maintenance of existing level of service, adjusted for known changes in 2022-23. It is considered to accurately reflect likely expenditure in 2022-23, being based on historic information, experience of expenditure in previous years and latest projections where appropriate.

The indicative budgets for 2023-24 and 2024-25 are similarly based upon the best information available at this moment in time.

The full risk assessment of the Council's Budget 2022-23 has been carried out and is included in **APPENDIX 9**.

The Pay Award for 2021-22 has not yet been agreed. Provision has been included for this and a further pay award for 2022-23. The impact of the National Living Wage has been incorporated into the budget, as has the increase in National Insurance rates. Allowance has also been made for staff incremental progression. Sufficient provision has been built in for current employer pension contributions, in line with the 2019 actuarial valuation. Different vacancy rates have been assumed for Council services based on past experience.

Inflation on contractor costs has been allowed based on the projected retail/ consumer prices index increases and on energy budgets based on anticipated tariff increases. Any differential inflationary uplift as required by contracts has been reflected. No other inflation has been provided for other expenditure budgets.

Some fees and charges will increase from April 2022. Given the demand-led nature of some of the more significant income budgets, such as for parking, development control and land charges, prudent but realistic assumptions have been made about estimated income. A separate budget provision has been created in relation to the potential ongoing impact on Fees and Charges. Major sources of income will continue to be closely monitored throughout the year with a view to protecting overall income to the Council as far as possible.

Investment income of £45,000 has been included within 2022-23 budgets. This has been based on current projections of bank rate which are anticipated to remain close to or slightly above 0% as an impact of Covid. Prudent assumptions about cash flow have been made and the advice of the Council's treasury management consultants has been taken into account in determining the average rate of return.

No specific contingency budget is provided in 2022-23 as it is considered that the Council's overall revenue balances are sufficient to act as an overall contingency (see below). However, robust budget monitoring arrangements, including Business Rates monitoring, are in place and will continue throughout the year. In addition to budget monitoring by officers, all Cabinet members will receive a monthly update and there will be quarterly reports to the Cabinet and Scrutiny Committees via "Performance Reports".

Significant expenditure and income budgets will be monitored closely during the year. Any projected variances will be addressed in a timely manner.

The Council has a Risk Management Strategy and has identified its key corporate risks. Significant financial risks will be managed appropriately. In addition, some financial risks will be mitigated by the Council's insurance arrangements.

I can therefore confirm that the budget estimates as presented are robust.

Adequacy of the Council's Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on local authority reserves and balances. It sets out three main purposes for which reserves are held: -

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

- A contingency to cushion the impact of unexpected events or emergencies.

- A means of building up funds to meet known or predicted liabilities, known as earmarked reserves.

The Council is projected to hold total General Fund reserves of £16.969 million at 31 March 2022 and £15.131 million at 31 March 2023.

The Council also has a planned four-year capital programme which is financially sustainable based on current capital resources and a prudent assessment of future capital resources. The financial strategy includes the use of unallocated reserves and a Revenue Contribution to Capital Outlay to supplement capital resources and mitigate any borrowing requirement; nevertheless, Prudential Borrowing to finance the Council's capital programme will be used where there is a robust business case.

The successful Levelling Up Fund bid has enabled the inclusion of the project in the capital programme. At an overall cost of £44 million, this project presents a substantial challenge to deliver; but it also presents financial risks. It is essential that costs are controlled and milestones are met, to avoid the prospect of defaulting on Government requirements, additional borrowing and/or additional revenue contributions.

The quantum of the Levelling Up bid, its financial risks and the future debt repayments on borrowing, coupled with the ongoing additional costs of (in particular) inflation and waste management, represent burdens on the Financial Plan 2022-25. When combined with the uncertainty of a fundamental Government review of local government finance, the medium term outlook is very challenging. There is no scope over the Financial Plan period for further discretionary projects or expenditure that could have a negative effect on reserves.

The Council has set a policy of a minimum level of general reserves of £1 million. The Budget for 2022-23 has been constructed on the basis that there will be a level of general reserves in excess of £1 million.

I can therefore confirm that the Council's reserves are adequate.

Tim Willis
Interim Head of Finance and s151 Officer
13 January 2022

Item No. 7.57

Appendix 8

Council Tax Base 2022-23

Parish	**Band D Equivalents**
Brereton and Ravenhill	1,960.61
Bridgtown	627.37
Brindley Heath	251.86
Cannock Wood	407.03
Heath Hayes and Wimblebury	4,037.35
Hednesford	5,739.84
Norton Canes	2,610.28
Rugeley	5,284.97
Unparished	8,538.84
Total	**29,458.15**

Item No. 7.58

Appendix 9

Working Balance - Financial Risks facing the Authority

Risk	Level of risk	Explanation of risk / justification for cover
Inflation	Medium	Inflation has been included in the Financial Plan in accordance with Government policy.
Investment interest	Medium	The amount earned depends on the prevailing interest rates and the level of cash balances held. Prudent assumptions have been made.
Major income sources:		
• Planning fees	Medium	Dependent on economic conditions.
• Land charges fees	Low	Dependent on the housing market / basis of determining recoverable expenses/ proposed transfer to Land Registry.
• Car parking	Medium	Certain amount of volatility based on demand.
• Markets	High	Dependent on occupancy levels.
• Environmental services	Low	Licensing income dependent on renewals.
• Bereavement services	Medium	Some risk as it is a major source of income.
Spending pressures:		
• Waste and recycling targets	Medium	The Council will need to reach recycling targets in order to maximise income from recycling credits and avoid penalties. Recycling Credit regime operated by County Council. Estimated costs for dual streaming and the contract extension increase uncertainty.
• Leisure management	Medium	Difficulties for the service provider, grounded in Covid 19 but continuing into the near future, will require financial support from the Council.
• Levelling Up	High	The Levelling Up programme is a major investment programme over a number of years with substantial Council contributions. It includes obligations to Government, requires engagement of partners and carries high expectations locally. It therefore represents a major financial risk.

Risk	Level of risk	Explanation of risk / justification for cover
Funding Sources:		
• New Homes Bonus	High	Although allocations for 2022-23 can be predicted accurately, the future level of funding is now not only dependent upon completions of new properties but what incentive scheme will exist instead of New Homes Bonus.
• Business Rates Scheme and Resets	High	A new scheme is proposed to be introduced in April 2023. In addition, a reset of growth achieved under the current system is likely to take place around the same time. How the reset is implemented could have material implications.
• Volatility in Business Rates	High	The Council will be exposed to volatility or reduction in its business rates due to the failure or temporary closure of a key businesses and successful backdated appeals against Rateable Values. Greater control of Business Rates gives councils greater freedoms and removes dependency on central funding, but it passes on a greater risk to core funding if Business Rates income falls.

Item No. 8.1

Joint Report of:	**Head of Finance** **Head of Housing & Partnerships**
Contact Officer:	**Nirmal Samrai** **Howard Campbell**
Contact Number:	**01543 464412** **01543 464499**
Portfolio Leader:	**Housing, Heritage & Leisure**
Key Decision:	**No**
Report Track:	**Cabinet: 02/02/2022**

Cabinet

2 February 2022

Rent Setting Policy - April 2022

1 Purpose of Report

1.1 To review the Council's Housing Rent Setting Policy following the publication of Rent Standards 2020 and guidance and Limit on annual rent increases 2022-23 in accordance with the Government's Policy Statement on Rents for Social Housing 2018. Also, to seek approval for the rent increase for 2022.

2 Recommendation(s)

2.1 That the revised Housing Rent Setting Policy as set out in Appendix 1 is agreed and implemented with effect from 1 April 2022.

2.2 To note that consultation with tenants has taken placed as approved at last year's meeting and a copy of the consultation outcome is attached in Appendix 4.

3 Key Issues and Reasons for Recommendations

Key Issues

3.1 A revised rent setting policy for social landlords beyond 2020 was announced by Department for Communities and Local Government (DCLG) on 4 October 2017 and confirmed in Direction on rent standard 2019 whereby increases to social housing rents will be limited up to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

3.2 The Rent Standard forms part of the regulatory framework for social housing and from April 2020 the Council's rent setting is now subject to the regulatory framework.

Reasons for Recommendations

3.3 This report confirms the details provided in the Housing Revenue Account Budget 2021-22 to 2024-25 report elsewhere on this agenda. Rent proposals have been formulated within the framework set out in the Government formulated rent policy.

3.4 It is proposed that this report seeks to continue to follow the formulated social rent policy implemented from 1 April 2020 and to continue with year 3 of the 5-year national rent setting policy.

4 Relationship to Corporate Priorities

4.1 This report supports the Council's Corporate Priorities as follows:

(i) Supporting Economic Recovery – Increase the supply of affordable housing.

(ii) Supporting Health and Wellbeing- Consulting with Tenants about changing in rent charges and offering help to tenant who may struggle with paying rent

(iii) Financially Resilient Council – by offering rent that is good value for money and improving the Council's social housing stock.

5 Report Detail

5.1 Past reports have provided Cabinet with a summary of the history of rent setting in social housing sector from rent restructuring and rent convergence 2002-15, the 10-year rent settlement from 2015, rent freeze from 2016 and the current formula rent regime since 2020. Appendix 2 provides an historical background to rent increase and decreases from 2001.

5.2 The Government confirmed the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

5.3 The Regulator for Social Housing (RSH) regulates rents charged by social housing stock-owning local authorities and as aligned the regulation of Local Authority rents with Registered Providers rent. In 2019/20 Local authorities were encouraged to submit data collection on a voluntary basis and from 2020/21 RSH annually collects data from stock holding Local Authorities and other social landlords. This information is submitted through Local Authority Data Return (LADR) and involves collecting information on stock information and rents for the purposes of rent regulation.

5.4 In September each year the annual Consumer Price Index (CPI) figure is set which is used to establish the limit on annual rent increases. Council tenants rent is set based on resultant "formula rents" that Government prescribes and for 2022/23 it will increase by CPI September 2021 rate plus 1%. A revised formula rent has therefore been calculated for each of the Council's 5090 properties and has then been compared with the Council's current rents to assess the required increases in accordance with Rent Standard. At the start of all new tenancies after April 2022 the formula is applied.

5.5 The Council's revised rent setting policy, which has been formulated in accordance with the national rent guidance, is attached as Appendix 1. This proposes that: -

I. The Council's existing stock is let at social housing rents.

II. New build and newly acquired properties are let at affordable housing rents which are equivalent to social housing rents. (As agreed by Cabinet on 17 April 2014).

III. Market rents are not charged for tenants with high income.

IV. Rents are reviewed annually with any resultant increase not exceeding the government defined formula of Consumer Price Index plus 1%.

V. The rents of vacant properties are increased (where necessary) to formula rents on re-letting.

5.6 It will be noted that it is not proposed to adopt a policy to charge market rents for households with incomes over £60,000. It is considered that the cost of implementing any policy does not justify the limited benefits from charging a small number of tenants (higher rents).

5.7 The Council is seeking to charge CPI from September 2021 which is 3.1% plus 1% to tenants in 2022-23 to address some of the financial implications outlined in the 2015 report to Cabinet and to support funding of the revised position with regard Housing Revenue Account Budgets for the period 2022-23 to 2024-25. The increase will also help to ensure the maintenance of a minimum level of working balances and to deliver the refreshed Capital Programme, proposed elsewhere on this agenda.

5.8 The additional income will be used to:

- Improve services and the housing stock meeting legally required work to ensure all homes meet the RSH economic and consumer standards.

- Fund the cost of ensuring our housing stock can meet climate change targets by reducing carbon emissions, making it cheaper and easier to manage and maintain buildings for our tenants. This will help to overcome some of the problems with the management of older housing stock and therefore improving the health of occupants.

- To recover from impact of the Covid-19 pandemic which has seen an increase in rent loss due to the increase in the turnaround time of empty properties and the subsequent increase in council tax charges for empty properties.

- Meet the requirements of the Government White paper on Social Housing 2020: The Charter for Social Housing Residents.

5.9 It should be noted that the Council's average rent is out of kilter with most social landlords that operates in the Cannock area and throughout Staffordshire

(Appendix 3). In accordance with the national rent policy, rents were reduced by 1% per annum from 2016-20 and hence there is a need to adhere to the new government policy to enable investment in our housing stock. If we do not increase the rent in 2022/23 the disparity gap between the rent levels of Council and social landlords will increase.

5.10 It is proposed that the draft policy (Appendix 1) is approved and implemented from April 2022.

5.11 Tenancy Service undertook a brief consultation from October until December seeking the opinion of tenants regarding the potential rent increase and feedback to the report of Cabinet. This is a practice used by other social landlords who have been subject to previous rent regulatory scrutiny. It is also an ideal opportunity to encourage tenant engagement before the start of the financial year. The outcome of the consultation with tenants can be found at Appendix 4.

6 Implications

6.1 Financial

The additional income which will be generated from the rent increase had been included within the draft HRA Budgets proposed elsewhere on this agenda. The indicative budgets agreed were based on an indicative rent increase of 4.1%. The CPI (Consumer Price Index rate) is based on the September rate from the previous financial year which is 3.1%, which would give a maximum increase of 4.1%. This will generate approximately £580k additional dwelling rent income in 2022-23. Due to an increase in void allowance for 2022-23 of £103k, approximately £480k additional dwelling income is expected in 2022-23.

6.2 Legal

Section 24 Housing Act 1985 gives the power for Local Housing Authorities to review its rents, provided due regard is given to any relevant standards set for them under s.193 Housing & Regeneration Act 2008. The Rent Standard applies to low-cost rental accommodation as defined by s.69 of the 2008 Act. Registered Providers must set rents from 01/04/20 in accordance with the Government's Policy Statement on Rents for Social Housing 2019.

6.3 Human Resources

The estimated budgets include provision for employees.

6.4 Risk Management

Self-financing increases the risks associated with the management of the HRA and a detailed risk analysis forms part of the 30 Year Business Plan.

The risks relate to income as well as expenditure and any change in Government policy will impact upon the balances available to support the Capital Programme and its minimum level of revenue working balances. The risk has however been reduced because change to social housing rent will provide a degree of certainty regarding potential level of rent income for 2020-25. Tolerance stress testing is undertaken to ensure that budget setting is robust.

6.5 Equality & Diversity

The draft budget reflects a continuation of current policies and the maintenance of existing service provision throughout the budget period.

6.6 Climate Change

The plan capital expenditure programme will help to improve energy efficiency of our housing stock.

7 Appendices to the Report

Appendix 1: Rent Setting Policy 2022

Appendix 2: Formula rent inflation

Appendix 3: Local Social Housing rent comparisons

Appendix 4: Tenant Consultation 2021

Previous Consideration

HRA Budgets 2020/21 to 2023/24: Cabinet, 10 February 2021

HRA Capital Programmes 2020-21 to 2023-24: Cabinet, 10 February 2021

Rent Setting Policy April 2021: Cabinet, 28 January 2021

Background Papers

Policy statement on rents for social housing - 2019

The Direction on the Rent Standard- 2020

Rent Standard - April 2020

Limit on annual rent increases 2022-23

Item No. 8.6

Appendix 1

Rent Setting Policy 2022

This policy applies to Cannock Chase Council

Link to other Cannock Policies:

Allocation Policy

Information for tenants:

Offer letters

Tenancy agreements

Annual rent increase

Consultation with Residents

External Information:

- The Direction on the Rent Standard- 2020
- Rent Standard - April 2020
- Limit on annual rent increases 2021-22
- Guidance Local authority guidance for formal applications to disapply government rent policy

Introduction

This policy outlines out how Cannock Chase Council sets its rents as defined by the Rent Standard Guidance. It will include details of the initial rent calculation and how this will be reviewed annually.

The rents charge covers the costs of managing and maintaining homes together with certain categories of repairs that are carried out in a cyclical programme (e.g. gas servicing) and major improvements carried out through long-term programmes to improve its homes.

This policy meets the requirements of the Regulator, set out in the Rent Standard and Rent Standard Guidance that applies from April 2020, updated by the Welfare Reform and Work Act 2016. Information is available through the GOV.UK website: www.gov.uk/government/organisations/regulator-of-social-housing.

Policy statement

Cannock Chase Council charges rents in accordance with the Government's direction to the Regulator, the Rent Standard Guidance.

Social Housing Rents

The Council's existing stock will be let at Social Housing Rents calculated in accordance with the nationally prescribed formula as set out in "Policy statement on rents for social housing".

The basis for formula rents for Cannock Chase Council is:

-Average rent at April 2000 £54.62

-Average earnings in Staffordshire £296.10

-National average earnings £316.40

-Bedroom weight- based on size of property

-National average property value in January 1999 £49,750

Rents are then calculated by:

- 30% of a property's rent is based on relative property values-
- 70% of a property's rent is based on relative local earnings
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents

Affordable Rents

New build and newly acquired properties will be let at affordable housing rents which are equivalent to Social Housing Rents.

Rents for Social Tenants with High Incomes

Market rents will not be charged for any tenants who have an income of at least £60,000 per year.

Rent Reviews

Rents will be reviewed annually as part of the Housing Revenue Account Budget process. Any resultant rent increase will not exceed the Government Consumer Price Index plus percentage increase and all rent charge will be subject to Rent Standard Guidance.

Rent Year

Rents will be charged over a 52 week rent year.

Vacant Properties

Where the actual rent of a vacant property is below the formula rent, the rent will be increased to the formula rent level when the property is relet.

Property Revaluations

The property value of the rent formula may be reviewed in respect of properties where major improvement works have significantly increased the value.

Equality Impact Assessment

We will ensure that the service is delivered in a fair and accessible way to all our customers regardless of; gender, race, ethnic, religion or sexual orientation, and due regard will be given to the Council's Public Sector Equality Duty. For monitoring purposes, the Council includes Income Management within its performance report and monitor the household and rent charge in conduct through the housing management system.

Item No. 8.9

Appendix 2

Formula rent inflation

Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	**4.3%**
2002-03	1.7%	0.5%	**2.2%**
2003-04	1.7%	0.5%	**2.2%**
2004-05	2.8%	0.5%	**3.3%**
2005-06	3.1%	0.5%	**3.6%**
2006-07	2.7%	0.5%	**3.2%**
2007-08	3.6%	0.5%	**4.1%**
2008-09	3.9%	0.5%	**4.4%**
2009-10	5.0%	0.5%	**5.5%**
2010-11	-1.4%	0.5%	**-0.9%**
2011-12	4.6%	0.5%	**5.1%**
2012-13	5.6%	0.5%	**6.1%**
2013-14	2.6%	0.5%	**3.1%**
2014-15	3.2%	0.5%	**3.7%**
2015-16	1.2%	1.0%	**2.2%**
2016-17	N/A	N/A	**-1.0%**
2017-18	N/A	N/A	**-1.0%**
2018-19	N/A	N/A	**-1.0%**
2019-20	N/A	N/A	**-1.0%**
2020-21	1.7%	1.0%	**2.7%**
2021-22	0.5%	1.0%	**1.5%**
2022-23	3.1%	1.0%	**4.1%**

Item No. 8.10

Appendix 3

Local Social Housing rent comparison in 2021-22

	One Bed		**Two Bed**		**Three Bed**		**Four+ Bed**	
	Social Rent	Affordable Rent	Social Rent	Affordable Rent	Social Rent	Affordable Rent	Social Rent	Affordable Rent
	£	£	£	£	£	£	£	£
Cannock Chase Council 20-21	66.77	72.39	75.78	86.27	80.13	95.97	86.74	106.43
Cannock Chase Council 21-22	67.77	73.47	76.90	87.56	81.33	97.41	87.99	108.03
Accord	77.90	-	90.61	126.62	103.74	129.31	-	-
Aspire	77.64	98.08	95.45	111.74	108.43	-	119.72	-
Bromford	72.70	-	88.97	105.59	101.51	123.96	111.61	-
Midland Heart	76.04	-	90.05	100.37	96.29	110.63	111.36	-
Platform (Waterloo)	69.73	-	89.61	103.00	101.68	117.16	113.37	120.64
Sanctuary	74.80	-	87.67	98.20	98.79	101.37	113.25	-
SSHA (Housing Plus)	-	-	87.73	103.36	101.19	121.19	113.25	131.71
Walsall Housing Group	72.73	91.52	90.61	121.48	103.76	139.42	117.86	158.88
Wrekin Housing Trust	70.66	-	88.83	122.56	103.76	128.59	115.19	146.94
Local Housing Allowance (as at 01.4.21)	97.81		126.58		149.59		195.62	
Private Rent	101.31		135.00		161.31		230.31	

Item No. 8.11

Appendix 4

Cannock Chase Council - Housing Services: Rent Increase 2022/23 Tenant Consultation

TOTAL RESPONSES = 10

Q1. Did you find the Frequently Asked Questions (FAQs) helpful?

Yes = 9
No = 1

Comments:
Nothing new to what is always written

Q2. Are you happy with the level of consultation and information you get about the annual rent increase?

Yes = 8
No = 2

Comments:
What consultation, rent is put up we are told.

Haven’t received any information.

Q3. Do you think the rent you pay is good value?

Yes = 9
No = 1

Comments:
Poor condition of property

Q4. Did you understand.....

why rent setting is so important?
Yes = 10
No = 0

who determines the level of rent increase?
Yes = 8
No = 2

when you will be informed about the rent increase?
Yes = 10
No = 0

how Cannock Chase Council's rents compare with other social landlords?
Yes = 8
No = 2

how to seek help if you are in difficulty paying your rent?
Yes = 9
No = 1

Q5. Do you have any questions about the Rent Increase 2022/23?

- Answered: 5
- Skipped: 5

Comment:
No

No

Yes

No

No

Q6. Please tell us if there is anything we can do more of or better?

- Answered: 3
- Skipped: 7

Comments:
Nothing.

Stop pestering people with overzealous rent officers, chase people who actually in proper long-term arrears not those a week late.

Can we change rent payments to pcm as well as weekly because my account goes in and out of arrears, I get my uc payments on the 6th, pcm would help us all a lot, it is scary when you get a letter to say you're in arrears and could go to court.

Item No. 9.1

Joint Report of:	**Head of Finance** **Head of Housing and Partnerships**
Contact Officer:	**Tim Willis** **Nirmal Samrai**
Telephone No:	**01543 464 412** **01543 464 210**
Portfolio Leader:	**Housing, Heritage & Leisure**
Key Decision:	**No**
Report Track:	**Cabinet: 02/02/22** **Council: 16/02/22**

Cabinet

2 February 2022

Housing Revenue Account Budgets 2021/22 to 2024/25

1 Purpose of Report

1.1 To review the 2021-22 Housing Revenue Account (HRA) Budget.

1.2 To propose an HRA Budget for 2022-23 and Indicative Budgets for 2023-24 and 2024-25.

1.3 To determine the proposed three-year Housing Revenue Account Budget for consideration by Council on 16 February 2022.

2 Recommendation(s)

2.1 That the revised position with regard to estimated income and expenditure for the 2021-22 HRA and budgets for the period 2022-23 to 2024-25 as summarised in Appendix 1 be noted.

2.2 That Council on 16 February 2022 be recommended to:-

(i) Determine a minimum level of working balances of £1.929 million for 31 March 2023 and indicative working balances of £1.975 million and £2.030 million for 31 March 2024 and 2025 respectively.

(ii) Approve the HRA Revenue Budgets for 2022-23, 2023-24 and 2024-25 (and note the forecast outturn for 2021-22) as summarised in Appendix 1 of the report.

3 Key Issues and Reasons for Recommendations

Key Issues

3.1 This report considers the proposed three-year HRA budgets for 2022-23 to 2024-25, which have been formulated within the framework provided by the Approved HRA Business Plan.

3.2 Projected levels of income and expenditure for 2022-25 are summarised below:

Table 1: HRA Summary Budget 2022-23 to 2024-25

	2022-23 £000's	2023-24 £000's	2024-25 £000's
Income	(20,587)	(20,889)	(21,491)
Expenditure	19,292	19,749	20,304
Revenue Contribution to Capital Outlay	1,207	1,094	1,131
Working Balances Change	88	46	56

3.3 A separate report is included on the agenda in relation to the rent increase for 2022-23, with the budget assuming a rent increase of 4.1% in accordance with the limitations of national policy. A revised rent policy for social landlords beyond 2020 was agreed by the then Department for Communities and Local Government (DCLG) on 4 October 2017, whereby "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020". Rents had previously been subject to a 1% per annum reduction between 2016-17 to 2019-20.

When reviewing the HRA Revenue position, consideration needs to be given to the HRA Capital Programme and the level of Working Balances, including the Revenue Contribution to Capital Outlay (RCCO) and Depreciation Charge. Any change in the latter being compensated by an increase or decrease in RCCO. In accordance with the Approved Business Plan, the RCCO also represents the net surplus on the Revenue Account after determining the level of Working Balances.

3.4 In view of the risks associated with the management of the HRA under self-financing, minimum working balances of 10% of net operating expenditure have been assumed throughout the three-year budget period.

Reason for Recommendations

3.5 Cabinet is required to propose a budget in relation to the HRA for submission to Council on the 16 February 2022.

4 Relationship to Corporate Priorities

4.1 The proposed HRA budgets will contribute to the delivery of new social housing, the maintenance of housing standards and enable our residents to live healthy and happy lives, as reflected in the Council's Corporate Plan.

5 Report Detail

5.1 A new 30-year HRA Business Plan is proposed to be deferred until the Stock Condition Survey is completed; the Climate Change Action Plan is costed; developments in energy efficiency and retrofitting are evaluated; and the ongoing impact of COVID19 determined.

5.2 The proposed revenue budgets are therefore in accordance with the prevailing HRA Business Plan, but reflect the ongoing effects of the anticipated outturn in respect of the 2021-22 (which is reviewed as part of this report) and other changes in income and expenditure which are projected as a result of the detailed budget formulation work.

The Housing Revenue Account Budget 2021-22

5.3 A review of the 2021-22 Budget is included in Appendix 1.

5.4 The forecast reflects the latest stock numbers and average rents for both social and affordable properties with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.

5.5 A detailed review of employee budgets has also been undertaken with the latest budgets reflecting the staff turnover experienced in recent years. Supplies and Services budgets have also been refreshed to reflect latest spending patterns.

5.6 Estimated expenditure for 2021-22 is now forecast to be £19.697 million and Income £19.826 million with a forecast transfer to working balances of £0.129 million.

5.7 The forecast outturn reflects a reduction in dwelling rental income of £0.215m arising from an increase in void properties, partly offset by £0.077m forecasted salary underspends due to vacancies. The forecast outturn further reflects a decrease in the net Revenue Contribution to Capital Outlay/ Deprecation charge of £0.170m against the Original Budget.

Housing Revenue Account Budgets 2022-23 to 2024-25

5.8 The budgets reflect a continuation of current policies and the maintenance of existing service provision throughout the budget period. The Approved 30 year HRA Business Plan has therefore been used as the basis for preparing the HRA budgets for the period 2022-23 to 2024-25 which are attached as Appendix 1.

5.9 Rent income for 2022-23 follows Government Rent Policy whereby “increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020”. The original estimates for 2022-23 and 2023-24 assumed increases of 1.5% and 2.5% respectively, in line with prevailing CPI increases at the time of 0.5%. The 2022-23 budget now includes an assumed 4.1% rent increase to reflect the 3.1% CPI increase prevailing as at September 2021. The 2023-24 and 2024-25 budgets assume rent increase of 1.5%.

5.10 Expenditure budgets reflect anticipated pay awards for 2021-22 and 2022-23. When setting the budget for 2021-22 it was understood that no pay award would be made as part of a two year pay freeze for those employees above the £24,000 threshold. However, a pay award of 1.75% has been offered and declined; negotiations are ongoing. No material changes have been made to future non pay budgets and other assumptions are in line with the indicative budgets set last year with the provision for the 2% per annum increase.

5.11 The budget has been refreshed to reflect the latest stock numbers with changes made to Dwellings Rent, Garage Rents and Repairs Budgets.

5.12 Capital Financing Charges have been amended to reflect the revised Depreciation requirement. However, this has no change in relation to the overall level of resources with a compensating adjustment made to the Revenue Contribution to Capital Outlay.

5.13 Proposed Housing Revenue Account Budgets for the period 2022-23 to 2024-25 are attached in Appendix 1.

Effect on Working Balances

5.14 The effect of the proposed budgets on the estimated level of working balances is shown as part of Appendix 1. As previously stated, a minimum working balance of 10% of net operating expenditure has been assumed throughout the three-year budget period.

6 Implications

6.1 **Financial**

The financial implications have been referred to throughout the report.

6.2 **Legal**

None

6.3 **Human Resources**

The estimated budgets include provision for employees.

6.4 **Risk Management**

Self-financing increases the risks associated with the management of the HRA and a detailed risk analysis forms part of the 30 Year Business Plan.

The risks relate to income as well as expenditure and any change in Government policy will impact upon the balances available to support the Capital Programme.

A number of actions are undertaken to further mitigate risks associated with the management of the HRA which include:-

(i) The adoption of a prudent approach to budgeting, particularly rent income

(ii) The maintenance of an adequate level of working balances, comprising a minimum of 10% of net operating expenditure.

(iii) The adoption of a more realistic approach in assessing staff turnover in determining employee budgets.

(iv) Housing Revenue Account Business Plan projections together with associated sensitivity analysis.

(v) Firm budgetary control though regular monitoring of actual and forecast income and expenditure.

(vi) The implementation of an annual Internal Audit Plan and scrutiny from the External Auditor.

6.5 **Equality & Diversity**

The draft budget reflects a continuation of current policies and the maintenance of existing service provision throughout the budget period.

6.6 **Climate Change**

A new 30-year strategy and action plan is being developed to reflect the Council's New Build requirement to increase social housing based upon the housing needs of the district and land availability; also to develop zero carbon new homes (passivhaus standard) and a retrofit (carbon zero programme) for existing stock.

7 Appendices to the Report

Appendix 1: HRA Budgets 2021-22 to 2024-25.

Previous Consideration

None.

Background Papers

None.

Item No. 9.6

Appendix 1

HRA Budgets 2021-22 to 2024-25

	Original Budget	Revised Budget	Variance	Budget	Budget	Budget
	2021-22	**2021-22**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Income	£	£	£	£	£	£
Dwelling Rent	(19,648,000)	(19,433,000)	215,000	(20,190,000)	(20,488,000)	(21,085,000)
Non-Dwelling Rent	(345,000)	(344,000)	1,000	(348,000)	(351,000)	(355,000)
Interest	(1,500)	(1,500)	-	(1,500)	(1,520)	(1,540)
Other	(12,130)	(12,130)	-	(12,250)	(12,370)	(12,490)
General Fund Contribution	(35,520)	(35,520)	-	(35,520)	(35,520)	(36,590)
Total Income	**(20,042,150)**	**(19,826,150)**	**216,000**	**(20,587,270)**	**(20,888,410)**	**(21,490,620)**
Expenditure						
Repairs and Maintenance	5,955,280	5,942,010	(13,270)	6,282,230	6,229,710	6,401,560
Provision for bad debts	100,000	100,000	-	100,000	100,000	100,000
Supervision and Management						
General	3,948,430	3,995,650	47,220	4,208,660	4,347,950	4,492,830
Special	934,800	817,630	(117,170)	974,170	1,005,290	1,036,880
Total Management	4,883,230	4,813,280	(69,950)	5,182,830	5,353,240	5,529,710
Capital Financing	7,723,870	7,561,200	(162,670)	7,727,080	8,065,830	8,272,470
RCCO	1,288,370	1,281,030	(7,340)	1,207,570	1,093,960	1,131,390
Total Expenditure	**19,950,750**	**19,697,520**	**(253,230)**	**20,499,710**	**20,842,740**	**21,435,130**
Working Balance transfer	**91,400**	**128,630**	**37,230**	**87,560**	**45,670**	**55,490**
Working Balance						
B/fwd	(1,774,840)	(1,713,020)	61,820	(1,841,650)	(1,929,210)	(1,974,880)
In year	(91,400)	(128,630)	(37,230)	(87,560)	(45,670)	(55,490)
C/fwd	(1,866,240)	(1,841,650)	24,590	(1,929,210)	(1,974,880)	(2,030,370)

Item No. 10.1

Joint Report of:	**Head of Finance** **Head of Housing and Partnerships**
Contact Officer:	**Tim Willis** **Nirmal Samrai**
Telephone No:	**01543 464 412** **01543 464 210**
Portfolio Leader:	**Housing, Heritage & Leisure**
Key Decision:	**No**
Report Track:	**Cabinet: 02/02/22** **Council: 16/02/22**

Cabinet

2 February 2022

Housing Revenue Account Capital Programmes 2021/22 to 2024/25

1 Purpose of Report

1.1 To review the 2021-22 HRA Capital Programme.

1.2 To refresh the Housing Revenue Account Capital Programme budgets for the period 2022-23 to 2024-25.

1.3 To present an updated four-year Housing Revenue Account Capital Programme for consideration by Council on 2 February 2022.

2 Recommendation(s)

2.1 That the estimated availability of Housing Revenue Account capital resources for the period 2021-22 to 2024-25 (as set out in Appendix 1) be noted.

2.2 That Council on 16 February 2022 is recommended to approve the Housing Revenue Account Capital Programme for the period 2021-22 to 2024-25 (as set out in Appendix 2).

3 Key Issues and Reasons for Recommendations

Key Issues

3.1 This report considers the refreshed HRA Capital Programme for the period 2022-23 to 2024-25, together with the forecast outturn for 2021-22, compiled within the financial framework provided by the Approved HRA Business Plan.

3.2 Details of the estimated availability of HRA capital resources during the four-year period are set out in Appendix 1, whilst the HRA Capital Programme is set out in Appendix 2.

3.3 A strategy is currently being developed to reflect the Council's New Build requirement to increase social housing based upon the housing needs of the district and land availability, developing zero carbon new homes (passivhaus standard) and a retrofit (carbon zero programme) for existing stock.

Reason for Recommendations

3.4 Cabinet is required to propose a budget in relation to the HRA for submission to Council on the 16 February 2022.

4 Relationship to Corporate Priorities

4.1 The proposed HRA budgets will contribute to the delivery of new social housing, the maintenance of housing standards and enable our residents to live healthy and happy lives, as reflected in the Council's Corporate Plan.

5 Report Detail

5.1 The current capital programme was based upon the previously approved 30-year Business Plan, with a new 30-year Business Plan being developed based upon the full implications of the Government's future Rent policy, a Stock Condition Survey and a New Build Strategy. In particular, the refreshed 30-year Business Plan needed to address the Council's intention to be a Net Zero Carbon District by 2030 following the declaration of a Climate Emergency by the Council in 2019.

5.2 Covid 19 has had a detrimental impact on the current year's capital programme with a backlog of work arising from lockdown periods and the underlying requirement to socially distance. In particular, in addition to slippage of programmed work from 2021-22 to 2022-23, a delay has occurred in the commissioning of a Stock Condition Survey and a costed Climate Change Action Plan, key elements of a new 30-year HRA Business Plan.

5.3 The current Capital Programme therefore reflects the existing 30-year Business Plan requirements pending an evaluation of developments in energy efficiency and retrofitting, new build requirements and the ongoing impact of COVID19 on social housing.

HRA Capital Programme 2021-22 to 2024-25

5.4 A proposed HRA Capital Programme for 2022-23 to 2024-25, together with the forecast outturn for 2021-22 is set out in Appendix 2.

5.5 The Programme shows reductions in central heating and electrical upgrades and Disabled Facilities Works, whereas there is an increase in kitchen and bathroom replacements.

5.6 The Kitchen and Bathroom provisions assume a 20-year life of these cyclical upgrade programmes. In addition to an increase in material prices that is evident across all capital works programmes, the kitchen and bathroom specifications have been enhanced. This is to provide a comparable upgrade in the existing stock with those in new stock; and to make our existing stock more attractive and modern to families in line with other registered providers. Such enhancements include an additional option for a shower over a bath, shaving points and wall boards/panels in lieu of tiling.

5.7 The existing Housing Investment Fund Programme is now fully committed with the Aelfgar site acquired and planning application in train for the Council owned site in Chadsmoor completing this initial £12.9 million programme

5.8 The Capital programme includes the following new Schemes:

- Communal Block Fire Risk Actions.
- Manual Call Point Project - to allow testing of fire alarms in blocks of flats with communal areas.

Estimated Availability of HRA Capital Resources

5.9 Details of the estimated availability of HRA capital resources for the period 2021-22 to 2024-25 are set out in Appendix 1. These are in accordance with the assumptions in the Business Plan with subsequent adjustments to reflect:-

(i) The anticipated outturn in respect of the 2021-22 HRA Capital Programme;

(ii) Amendments to the net revenue contribution to capital outlay following the detailed budget formulation work in respect of the Housing Revenue Account.

5.10 New capital resources for the period 2021-22 to 2023-24 show a reduction in resources of £0.265 million as compared to the original estimates for that period, with the net contribution from Revenue (Major Repairs Allowance and RCCO) being down by £0.265 million reflecting in part the reduction in rent income forecast as a result of Covid 19 and an increase in void loss.

5.11 In relation to the new Capital Programme year of 2024-25 new resources amount to £6.627 million as compared to capital programme expenditure of £7.026 million, a net decrease in resources of £0.399 million.

6 Implications

6.1 Financial

The financial implications have been referred to throughout the report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Risk Management

There are a number of risks associated with the inadequate management of the HRA Capital Programme. These risks are minimised by the Council's agreed Capital Expenditure Control Procedures which includes a requirement for regular monitoring including quarterly reports to Cabinet.

6.5 Equality & Diversity

The revised HRA Business Plan has been subject to an Equality Impact Assessment (EIA). As the proposed HRA Capital Programme for the period 2020-21 to 2023-24 has been formulated in accordance with the revised Business Plan, the Business Plan EIA also applies to the proposed four-year Capital Programme.

The outcome of the Business Plan EIA is that it would have a positive impact for certain of the protected characteristics with no identified negative implications.

6.6 Climate Change

A strategy is currently being developed to reflect the Council's New Build requirement to increase social housing based upon the housing needs of the district and land availability, developing zero carbon new homes (passivhaus standard) and a retrofit (carbon zero programme) for existing stock.

7 Appendices to the Report

Appendix 1: Estimated Housing Revenue Capital Resources 2021-22 to 2024-25

Appendix 2: Housing Revenue Account Capital Programme 2021-22 to 2024-25

Previous Consideration

None.

Background Papers

None.

Item No. 10.5

Appendix 1

Estimated Availability of Housing Revenue Account Capital Resources 2021-22 to 2024-25

	2021-22	**2022-23**	**2023-24**	**2024-25**	**Unallocated**
Resource	£000	£000	£000	£000	£000
Brought forward	**18,866**	**18,636**	**16,138**	**18,718**	**18,319**
Borrowing	0	0	3,022	0	
Right to Buy receipts	330	390	390	390	
WM Combined Authority Grant	263	0	0	0	
Other capital receipts	55	127	55	55	
Revenue Contributions to Capital	1,281	1,208	1,094	1,131	
Major Repairs Allowance	4,313	4,478	4,755	4,962	
Affordable housing receipts	89	89	89	89	
Total new resources	**6,331**	**6,292**	**9,405**	**6,627**	**0**
Total Capital resources (b/f + new)	25,197	24,928	25,543	25,345	18,319
Proposed capital expenditure	-6,561	-8,790	-6,825	-7,026	-11,740
Carried forward	**18,636**	**16,138**	**18,718**	**18,319**	**6,579**

Item No. 10.6

Appendix 2

Housing Revenue Account
Capital Programme 2021-22 to 2024-25

	2021-22	2022-23	2023-24	2024-25	Unallocated
Description	£000	£000	£000	£000	£000
Demolition of Garages	16				
Disabled Facilities Works	675	369	372	371	
Right to Compensation	1	5	5		
Replacement of Kitchens	16	2,076	2,027	2,225	
Replacement of Bathrooms	111	1,595	1,587	1,880	
Replacement of Central Heating	998	922	794	813	
External and Environmental Works	128	1,454	642	640	
Provision of Double Glazing	5				
Replacement of Social Alarms	1	1			
Upgrading of Electrical Systems	840	894	872	862	
Resurfacing of Driveways		200	200	100	
Replacement of Vehicles	45	408	13		
Contingency for unforeseen works		120	123	125	
Sheltered Scheme Works	160	144	170		
Hillsprings Fire Alarm		30			
St Barbara Lift Replacement	12	18			
3 Sheltered Lift Replacements		132			
Hawks Green	2,039				
Aelfgar site	1,514				
Stock condition contingency					2,500
New Build					9,240
Environmental work		60			
Communal Block Door Entry System		65			
Communal Block Fire Risk Actions		277	20	10	
MCP Project		20			
Totals	**6,561**	**8,790**	**6,825**	**7,026**	**11,740**

Item No. 11.1

Report of:	**Head of Finance**
Contact Officer:	**Tim Willis**
Contact Number:	**01543 464 412**
Portfolio Leader:	**Leader of the Council**
Key Decision:	**No**
Report Track:	**Cabinet: 02/02/22** **Council: 16/02/22**

Cabinet

2 February 2022

Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and Capital Strategy 2022/23

1 Purpose of Report

1.1 This report is presented to obtain the Council's approval to:-

- Prudential and Treasury indicators - setting of indicators to ensure that the capital investment plans of the Council are affordable, prudent and sustainable;
- The Minimum Revenue Provision (MRP) Policy;
- Treasury Management Strategy Statement for 2022/23 - to set treasury limits for 2022/23 to 2023/24 and to provide a background to the latest economic forecasts of interest rates;
- Annual Investment Strategy 2022/23 - to set out the strategy of investment of surplus funds.

2 Recommendation(s)

2.1 That Council, at its meeting to be held on 16 February 2022, be recommended to approve:-

(a) The Prudential and Treasury indicators;

(b) The MRP Policy Statement;

(c) The Treasury Management Policy;

(d) The Annual Investment Strategy for 2022/23,

2.2 To note that indicators may change in accordance with the final recommendations from Cabinet to Council in relation to both the General Fund / Housing Revenue Account Revenue Budgets and Capital Programmes.

3 Key Issues and Reasons for Recommendations

Key Issues

3.1 The Treasury Management Function essentially consists of:

- In the short-term ensuring that the cash flow of a Balanced Revenue Budget is adequately planned with surplus monies invested in accordance with the risk appetite of the Council.

- In the long-term funding the capital plans of the authority and in particular managing the debt of the Council and any new borrowing requirement.

3.2 The Governance arrangements are detailed in the various policies and strategies as detailed in the report together with the setting of Indicators in accordance with the Capital Financing Prudential Code.

Reasons for Recommendations

3.3 The Council is required to approve its treasury management, investment and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activity links in with all of the Council's priorities and their spending plans.

5 Report Detail

Background

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

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

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

5.4 CIPFA defines treasury management as:

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

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

Reporting Requirements

5.6 **Capital Strategy -** The CIPFA 2017 Prudential and Treasury Management Codes required all local authorities to prepare a capital strategy report which will provide the following:

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

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

5.8 The capital strategy approved on the 7 February 2019 covers the period 2018/22 but has been extended a further year.

5.9 **Treasury Management reporting -** The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

5.10 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:-

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

5.11 **A mid year treasury management report** - This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

5.12 **An annual treasury report** - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

5.13 **Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

5.14 The Council has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:-

Area of Responsibility	Council/Committee	Frequency
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy	Full council	Annually in January/February each year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy/Monitoring of Prudential Indicators	Full council	Mid-year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy – updates or revisions at other times	Full council	As required
Annual Treasury Outturn Report	Audit & Governance Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Cabinet	Annually in January / February before the start of the year

Treasury Management Strategy for 2022/23

5.15 The strategy for 2022/23 covers two main areas:-

Capital issues

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

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;

- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

Training

5.17 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training for members is currently being reviewed and will be arranged as required.

5.18 The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

5.19 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

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

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

The Capital Prudential Indicators 2022/23 - 2024/25

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

Capital expenditure

5.22 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which include a review of current schemes, but to note these may change as part of the scrutiny process and finalisation of the Budget.

5.23 Any change to the forecast and any new growth bids will be separately identified in future Budget Reports and reflected in this indicator as reported to full Council.

Capital expenditure	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	Earmarked £'000
Leader	303	47	-	-	-	-
Environment & Climate Change	231	234	90	80	80	255
Neighbourhood Safety & Partnerships	-	-	-	-	-	67
Housing, Heritage & Leisure	1,855	3,413	2,431	1,101	1,051	1,242
District Development	219	257	90	-	-	45,095
Innovation & High Street	195	9	-	-	-	-
Non –HRA	2,803	3,960	2,611	1,181	1,131	46,659
Non – HRA programme estimate	-	-	10,779	18,267	17,613	(46,659)
HRA	3,010	6,561	8,790	6,825	7,026	11,740
HRA programme estimate	-	-	1,500	5,800	4,440	(11,740)
Total	**5,813**	**10,521**	**23,680**	**32,073**	**30,210**	**-**

5.24 **Other long-term liabilities**. The financing need excludes other long-term liabilities, such as leasing arrangements which already include borrowing instruments.

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

Capital expenditure	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	Unallocated £'000
Total Spend	5,813	10,521	23,680	32,073	30,210	
Financed by:						
Capital Receipts	1,448	1,731	2,346	9,116	3,459	
Capital grants/ contributions	1,637	3,255	12,878	12,161	8,219	
Major Repairs	2,299	5,335	8,328	4,255	6,997	
Revenue	429	200	128	3,519	3,935	
Total Financing	5,813	10,521	23,680	29,051	22,610	
Net financing need for the year	-	-	-	3,022	7,600	

5.26 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

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

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

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

5.29 The CFR includes any other long-term liabilities (e.g finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £0.451 million of finance leases within the CFR.

5.30 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:-

	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Financing Requirement					
CFR - non-housing	9,119	8,650	8,194	7,972	15,358
CFR - housing	82,486	82,477	82,468	85,481	85,473
Total CFR	91,605	91,127	90,662	93,453	100,831
Movement in CFR	(485)	(478)	(465)	2,791	7,378
Movement in CFR represented by					
Net financing need for the year	-	-	-	3,022	7,600
Less MRP and other financing movements	(485)	(478)	(465)	(231)	(222)
Movement in CFR	(485)	(478)	(465)	2,791	7,378

Core funds and expected investment balances

5.31 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed on the following page are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Earmarked Fund balances / reserves					
General Fund	24,098	16,969	15,131	14,806	14,529
General Fund working balance	1,144	1,144	1,056	(1,749)	(4,889)
HRA	11,029	12,376	13,592	11,411	8,653
HRA working balance	1,713	1,842	1,929	1,975	2,076
Sub Total	**37,984**	**32,331**	**31,708**	**26,443**	**20,369**
Capital receipts					
GF	6,873	6,422	6,288	3,156	231
HRA	3,295	2,806	1,450	-	-
Sub Total	**10,168**	**9,228**	**7,738**	**3,156**	**231**
Provisions	**2,220**	**2,220**	**2,220**	**200**	**200**
Major Repairs Reserve	**6,459**	**5,437**	**1,587**	**2,087**	**52**
Capital Grants Unapplied	**2,571**	**2,097**	**930**	**727**	**378**
Other - grants receipts in advance	**1,589**	**2,026**	**1,982**	**1,982**	**2,158**
Total core funds	**60,991**	**53,339**	**46,165**	**34,595**	**23,388**
Working Cashflow requirement	11,940	5,000	5,000	5,000	5,000
Under/over borrowing	9,549	9,299	9,057	8,826	8,604
Expected investments	39,502	39,040	32,108	20,769	9,784

*Working cashflow requirement shown are estimated year-end.

Minimum revenue provision (MRP) policy statement

5.32 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP).

5.33 DLUHC Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:-

5.34 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess MRP for 2009/10 onwards in accordance with the recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

5.35 Under powers delegated to the Section 151 Officer, the Council's annual MRP provision for expenditure incurred after 1 April 2008 and before 31 March 2017 will be based on the uniform rate of 4% of the Capital Financing Requirement. The Council's annual MRP provision for expenditure incurred on or after 1 April 2017 will be based on the asset life method i.e. the provision will be calculated with reference to the estimated life of the assets acquired, in accordance with the regulations.

5.36 MRP will be applicable from the year following that in which the asset is brought into operation.

5.37 Repayments included in finance leases are applied as MRP.

5.38 The Council is satisfied that the policy for calculating MRP set out in this policy statement will result in the Council continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.

5.39 The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Council whilst ensuring the Council meets its duty to charge a prudent provision.

5.40 **MRP Overpayments** - A change introduced by the revised DLUHMC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. The Council has previously not made any MRP overpayments.

Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

5.42 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.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non HRA	3.2	3.1	2.6	0.1	2.1
HRA	16.77	16.72	16.09	16.16	15.7

HRA ratios

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £'000	81,605	81,605	81,605	84,627	84,627
HRA revenues £'000	9,341	19,433	20,190	20,488	21,085
Ratio of debt to revenues	4.2	4.2	4.0	4.1	4.0
Number of HRA dwellings	5,086	5,086	5,060	5,034	5,008
Debt per dwelling £	16.05	16.05	16.13	16.81	16.90

Borrowing

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

Current portfolio position

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

	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
External Debt					
PWLB debt at 1 April	81,605	81,605	81,605	81,605	84,627
Expected change in Debt	-	-	-	3,022	7,600
Other long-term liabilities (OLTL)	674	451	223	-	-
Expected change in OLTL	(223)	(228)	(223)	-	-
Actual gross debt at 31 March	82,056	81,828	81,605	84,627	92,227
The Capital Financing Requirement	91,605	91,127	90,662	93,453	100,831
Under / (over) borrowing	9,549	9,299	9,057	8,826	8,604

5.45 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

Treasury Indicators: limits to borrowing activity

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

Operational boundary	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Debt	91,670	91,214	94,014	101,401
Other long-term liabilities	223	1,000	1,000	1,000
Total	91,893	92,214	95,014	102,401

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

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

2. The Council is asked to approve the following authorised limit:-

Authorised limit	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Debt	103,170	102,714	105,514	112,901
Other long-term liabilities	223	1,000	1,000	1,000
Total	103,393	103,714	106,514	113,901

Prospects for interest rates

5.49 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th November 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 8.11.21	Dec-21	Mar-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	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

5.50 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%. Following on from this forecast, the Bank of England raised interest rates to 0.25% from 16 December 2021.

Significant risks to the forecasts

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **German general election** in September 2021. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel's tenure as Chancellor will end and will leave a hole in overall EU leadership.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

5.51 **Forecasts for Bank Rate**

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It is estimated that there were around 1 million people who came off furlough at the end of September; how many of those would not have had jobs on 1st

October and would therefore be available to fill labour shortages which are creating a major headache in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate one of the MPC's key current concerns.

- We also recognise there could be further nasty surprises on the Covid front, on top of the flu season this winter, and even the possibility of another lockdown, which could all depress economic activity.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no deal Brexit.

5.52 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will be revised again over the next few months - in line with what the new news is. It should also be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. Since this forecast, the Bank of England has reversed the emergency measure by raising interest rates to 0.25% on 16 December 2021. It should be noted however, that any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

5.53 **Forecasts for PWLB rates and gilt and treasury yields**

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.

- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?

- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?

- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?

- How will central banks implement their new average or sustainable level inflation monetary policies?

- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?

- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

5.54 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

5.55 **Gilt and treasury yields**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, which has just been passed by both houses, and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.

2. The economy has been growing strongly during 2021.

3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.

4. And the Fed was still providing stimulus through monthly QE purchases.

5.56 These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation.

5.57 **At its 3rd November Fed meeting**, the Fed decided to make a start on tapering QE purchases with the current $80bn per month of Treasury securities to be trimmed by $10bn in November and a further $10bn in December. The $40bn of MBS purchases per month will be trimmed by $5bn in each month. If the run-down continued at that pace, the purchases would cease entirely next June but the Fed has reserved the ability to adjust purchases up or down. This met market expectations. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields would rise as a consequence over the taper period, all other things being equal.

However, on the inflation front it was still insisting that the surge in inflation was "largely" transitory. In his post-meeting press conference, Chair Jerome Powell claimed that “the drivers of higher inflation have been predominantly connected to the dislocations caused by the pandemic” and argued that the Fed’s tools cannot address supply constraints. However, with the Fed now placing major emphasis on its mandate for ensuring full employment, (besides containing inflation), at a time when employment has fallen by 5 million and 3 million have left the work force, resignations have surged due to the ease of getting better paid jobs and so wage pressures have built rapidly.

With wage growth at its strongest since the early 1980s, inflation expectations rising and signs of a breakout in cyclical price inflation, particularly rents, the FOMC's insistence that this is still just a temporary shock "related to the pandemic and the reopening of the economy", does raise doubts which could undermine market confidence in the Fed and lead to higher treasury yields.

5.58 As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

5.59 **A new era – a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.

- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ before starting on raising Bank Rate and the ECB now has a similar policy.

- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the**

recovery eventually runs out of spare capacity to fuel continuing expansion.

- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

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

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk.

Borrowing strategy

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

5.61 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.62 Any decisions will be reported to members appropriately at the next available opportunity.

Treasury management limits on activity

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

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

Maturity structure of fixed interest rate borrowing 2022/23

	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2022/23

	Lower	Upper
Under 12 months	0%	75%
12 months to 2 years	0%	75%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years and above	0%	75%

Policy on borrowing in advance of need

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

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

Debt rescheduling

5.67 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

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

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

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

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

Annual Investment Strategy

Investment policy – management of risk

5.70 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

5.72 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the councils’ mission and values. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions.

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

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

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

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

5.74 This authority has defined the list of types of investment instruments that the treasury management team are authorised to use, as per **APPENDIX 2**.

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5.75 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.

5.76 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the **APPENDIX 2**.

5.77 **Transaction limits** are set for each type of investment in **APPENDIX 2**.

5.78 This authority will set a limit for the amount of its investments which are invested for longer than 365 days.

5.79 Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

5.80 This authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.81 All investments will be denominated in sterling.

5.82 As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

5.83 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

5.84 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:-

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

5.85 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:-

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

5.86 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5.87 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1 and a long term rating of A- or equivalent. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.88 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

5.89 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

5.90 The Council has determined that it will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in **APPENDIX 3**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Creditworthiness

5.91 Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS Prices

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

Investment Strategy

5.93 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

5.94 **Investment returns expectations.** The Bank Rate increased to 0.25% in December 2021.

5.95 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows.

Average earnings in each year	%
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

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

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

Maximum principal sums invested > 365 days

	2022/23	2023/24	2024/25
Principal sums invested > 365 days	£10m	£10m	£10m

5.97 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Investment risk benchmarking

5.98 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded / SONIA

End of year investment report

5.99 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

6 Implications

6.1 **Financial**

Included in the report.

6.2 **Legal**

None.

6.3 **Human Resources**

None.

6.4 **Risk Management**

The Council regards security of the sums it invests to be the key objective of its treasury management activity. Close management of counterparty risk is therefore a key element of day to day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Council's website.

6.5 **Equality & Diversity**

The Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

6.6 **Climate Change**

The Councils investment policy now includes a criteria that the Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the councils' mission and values.

7 Appendices to the Report

Appendix 1: Economic Background

Appendix 2: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Appendix 3: Approved Countries for Investment

Appendix 4: Treasury Management Scheme of Delegation

Appendix 5: The Treasury Management Role of the Section 151 Officer.

Previous Consideration

None.

Background Papers

None.

Item No. 11.26

Appendix 1

Economic Background

MPC meeting 4th November 2021

- The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.

- After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.

- Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.

- Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of "excess savings" accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.

- The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.

- It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its

August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

  1. Raising Bank Rate as "the active instrument in most circumstances".
  2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
  3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread. There is also a potential for the winter flu season combined with Covid to overwhelm NHS hospitals so the UK is not entirely in the clear yet.

- **Since the September MPC meeting**, the economy has been impacted by rising gas and electricity prices which are now threatening to close down some energy intensive sectors of industry – which would then further impact the supply chain to the rest of the economy. Ports are also becoming increasingly clogged up with containers due to a shortage of lorry drivers to take them away. The labour market statistics for August released in mid-October showed a sharp rise in employment but also a continuing steep rise in vacancies. The combination of all these factors is a considerable headwind to a recovery of economic growth in the months ahead.

US. Shortages of goods and intermediate goods like semi-conductors, are fuelling increases in prices and reducing economic growth potential. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target. This could well cause the Fed to focus on supporting economic growth by delaying interest rate rises, rather than combating elevated inflation i.e., there may be no rate rises until 2023.

See also comments in paragraph 3.3 under PWLB rates and gilt yields.

EU. The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SDP both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. Supply shortages, especially of coal for power generation, which is causing widespread power cuts to industry, are also having a sharp disruptive impact on the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida had promised a large fiscal stimulus package after the November general election which his party has now won.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Item No. 11.30

Appendix 2

Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investments.

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

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

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£6 million	5 years
UK Government Treasury bills	UK sovereign rating	£6 million	12 months
Bonds issued by multilateral development banks	AAA	£6 million	5 years
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNVAV	AAA	100%	Liquid
Money Market Funds VNAV	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Local authorities	N/A	100%	12 months
Call Accounts	N/A	£6 million	Liquid
Term deposits with housing associations	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£6 million	12 months

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

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Appendix 3

Approved Countries for Investment

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

Item No. 11.33

Appendix 4

Treasury Management Scheme of Delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Item No. 11.34

Appendix 5

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe.