

NON-CONFIDENTIAL



## **Borough of Tamworth**

Date 21st February 2020

Tuesday 25<sup>th</sup> February, 2020, 6.10 pm in the Town Hall, Market Street, Tamworth

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### **SUPPLEMENT – ADDITIONAL DOCUMENTS**

Further to the agenda and Papers for the above meeting, previously circulated please find attached the following information, which was not available when the agenda was published

**Agenda No. Item**

**6 Corporate Vision, Priorities Plan, Budget & Medium Term  
Financial Strategy 2020/21 (Pages 3 - 174)**

*(Report of the Leader of the Council)*

Yours faithfully

A handwritten signature in black ink, appearing to be 'ARS', followed by a long horizontal line extending to the right.

**CHIEF EXECUTIVE**

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*Access arrangements*

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### **FAQs**

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Marmion House  
Lichfield Street  
Tamworth

## CABINET

20<sup>th</sup> February 2020

## COUNCIL

25<sup>th</sup> February 2020

### Report of the Leader of the Council

#### Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2020/21

#### Purpose

This is a key decision as it affects two or more Wards and involves expenditure over £100k.

- To approve the **Vision Statement, Priority Themes, Corporate Priorities and Plans** and their inclusion in the **Corporate Plan (attached at Appendix A)**.
  
- To approve the recommended package of budget proposals (**attached at Appendix B**) to enable the Council to agree the:
  - General Fund (GF) Revenue Budget and Council Tax for 2020/21;
  - Housing Revenue Account (HRA) Budget for 2020/21;
  - 5 Year General Fund Capital Programme (2020/25);
  - 5 Year HRA Capital Programme (2020/25);
  - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2020/23);  
and
  - 5 Year HRA Medium Term Financial Strategy (MTFS) (2020/25).
  
- To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators (**attached at Appendix N**) and the requirement to prepare an annual Corporate Capital Strategy (**attached at Appendix O**).

## Recommendations

That Council approve:

1. the Vision Statement, Priority Themes, Corporate Priorities and Outcomes for 2020/21 (Appendix A);
2. the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix C);
3. the sum of £77,339 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2020/21 (Appendix E);
4. the sum of £322,619 be applied from Business Rates Collection Fund surpluses in 2020/21 (Appendix E);
5. that on 28<sup>th</sup> November 2019, the Cabinet calculated the Council Tax Base 2020/21 for the whole Council area as 22,367 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")];
6. that the Council Tax requirement for the Council's own purposes for 2020/21 is £4,068,334 (Appendix E);
7. the following amounts as calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:
  - a. £49,783,001 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (Outgoings excluding internal GF Recharges);
  - b. £45,714,667 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (Income excluding internal GF Recharges);
  - c. £4,068,334 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31A(4) of the Act);
  - d. £181.89 being the amount at 7(c) above (Item R), all divided by Item T (at 5 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year;
8. the Council Tax level for the Borough Council for 2020/21 of £181.89 (an increase of £5 (2.83%) on the 2019/20 level of £176.89) at Band D;
9. an aggregate Council Tax (comprising the respective demands of the Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire and Stoke-on-Trent and Staffordshire Fire and Rescue Authority) of £1,780.17 at Band D for 2020/21 be noted (£1,715.41 in 2019/20) (Appendix H);
10. the Council Tax levels at each band for 2020/21 (Appendix H);
11. the sum of £1,074,572 be transferred from General Fund Revenue Balances in 2020/21 (Appendix E);
12. the Summary General Fund Revenue Budget for 2020/21 (Appendix E);

13. the Provisional General Fund Budgets for 2021/22 to 2022/23, summarised at Appendix G, as the basis for future planning;
14. minimum level for balances of £500k to be held for each of the General Fund, Housing Revenue Account, General Capital Fund and Housing Capital Fund;
15. Cabinet be authorised to release funding from the General Contingency budget and that the release of funding for Specific Contingency items be delegated to the Corporate Management Team in consultation with the Leader of the Council;
16. proposed HRA Expenditure level of £15,259,760 for 2020/21 (Appendix D);
17. rents for Council House Tenants in General Accommodation for 2020/21 be set at an average of £87.93 (2019/20 £85.62), over a 48 week rent year (including a 2.7% increase);
18. rents for Council House Tenants due for 52 weeks in 2020/21 be collected over 48 weeks;
19. the HRA deficit of £1,337,210 be financed through a transfer from Housing Revenue Account Balances in 2020/21 (Appendix D);
20. the proposed 5 year General Fund Capital Programme of £5.820m, as detailed in Appendix I to the report;
21. the proposed 5 year Housing Capital Programme of £46.862m, as detailed in Appendix J to the report;
22. to delegate authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received or there is no net additional cost to the Council;
23. the Treasury Management Strategy Statement, the Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Statement 2020/21 (as detailed at Appendix N);
24. the Prudential and Treasury Indicators and Limits for 2020/21 to 2022/23 contained within Appendix N;
25. adoption of the Treasury Management Practices contained within ANNEX 8;
26. the detailed criteria of the Investment Strategy 2020/21 contained in the Treasury Management Strategy within ANNEX 4; and
27. the Corporate Capital Strategy and associated Action Plan (as detailed at Appendix O).

## Executive Summary

The headline figures for 2020/21 are:

- A General Fund Net Cost of Services of £9,153,400 a reduction of 2.7% compared to 2019/20;
- A transfer of £1,074,572 from General Fund balances;
- The Band D Council Tax would be set at £181.89, an increase of £5 (2.83% - c.£0.10 per week) on the level from 2019/20 of £176.89;
- A General Fund Capital Programme of £5.820m for 5 years;
- a Housing Revenue Account (HRA) Expenditure level of £15,259,760 for 2020/21 (excluding interest & similar charges);
- A transfer of £1,337,210 from HRA balances;
- Rents will be set in line with the approved Rent Setting Policy including a 2.7% increase in average rent (on the 2019/20 average rent of £85.62 based on a 48 week rent year) in line with Government confirmation that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard, and equates to £81.17 on an annualised 52 week basis;
- A Housing Capital Programme of £46.862m for 5 years.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.5m - at the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (2.83%) for 2020/21 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 2.0%) followed by increases of £5 p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2020/21 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £1.1m (compared to the minimum approved level of £0.5m).

The 5-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£4.2m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£0.5m over 5 years (the approved minimum level is £0.5m).

## Key Risks

- Uncertain economic conditions within the UK economy, following the decision to leave the EU – potential impact on interest rates, business rates growth and employment.
- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set.
- The Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22. **There is a high risk that these reforms, including the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed), will have a significant effect on the Council's funding level from 2021/22;**
- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFs in the long term);
- Uncertainty over the ongoing funding for the ***New Homes Bonus scheme***, achievement of anticipated growth in new homes within the Borough and the associated dependency on the New Homes Bonus income to address / reduce the funding shortfall for the General Fund. The Government have confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government's intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of welfare benefit reforms, economic conditions and uncertainty.

## **Background**

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

However, it has become evident that the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members are to respond to the demands from local people.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

### **Efficiency Statement - Sustainability Strategy**

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, is planning to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010. The 4 year Local Government Finance Settlement confirmed that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020 – and suggests that the key challenges that the Council is currently addressing are likely to become greater.

There is also a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels), the 'Fair Funding Review' as well as the planned Business Rates Reset which is now planned take effect from 2021/22.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation.



So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

The adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery. As part of a 'Tamworth Community Offer' we will:

- Improve our use of 'insight' in shaping services and directing investment;
- Better align service delivery to ensure we act with purpose and are accountable;
- Support the Demand Management model with prevention approaches which seek to tackle causes and reduce costs;
- Develop approaches which genuinely 'empower' individuals and communities;
- Support a transformed dialogue with residents - recognising that our financial capacity will be less than in previous years which means educating and supporting communities to focus resources on 'needs' and being clear on what we are able to do and equally what we can't.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need. Then by the application of locality based commissioning for example, the Council can commission services that either intervene or prevent future need thereby reducing demand. This approach will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Linked with this, the 'Delivering Quality Services' project continues to review processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Accurate forecasting, strong leadership and an innovative, risk aware approach have resulted in the organisation being able, in the main, to sustain a full suite of essential services albeit not without implications for the public, local politicians and the entire workforce.

By adopting this approach, supporting its implementation and measuring its progress, it will enable the Council to achieve its Vision and Priorities and fulfil its obligations.

- We will target resources upon those in most need and those most vulnerable.
- We will commission services that will both intervene/prevent future demand and reduce levels of vulnerability.
- We will, as a consequence, meet the Council's stated intention to ensure that the vulnerable are a priority (Motion to Council on 26<sup>th</sup> November, 2014 refers).

As part of the budget process Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan.

Robust business case templates are submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached forecast is based on a 5 year period, but does contain a number of uncertainties. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code (by which time the impact should be clearer).

Work is continuing on a number of actions to address the financial position in future years:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (Interactive Voice Response).
- Recruitment freeze – there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing;

We took the opportunity to increase the vacancy allowance from 5% to 7.5% by 2021/22 c. £45k p.a. year on year for the General Fund, c.£14k p.a. for the HRA (It should be noted that staffing in some services e.g. planning, are key to the delivery of the Council's economic growth agenda and have significant demand from the public and local businesses but can also experience severe recruitment difficulties – which may lead to the use of market supplements to attract staff).

- Spend freeze – A review of the underspend position has been undertaken with a view to drive out as many savings as possible – and has identified annual savings of c.£160k p.a. from 2020/21. There was a £2.3m underspend in 2018/19 – although much of this arose from windfall income, c. £0.7m was lower level underspends.

- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);  
***A savings target to return c.4% p.a. from the planned investment of £12m in Diversified Property Funds has already been included from 2020/21.***
- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);
- Targeted Savings – to identify potential areas for review in future years; and
- Review and rationalisation of IT systems.

## **Vision, Strategic Priorities & Plans**

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

The adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery. As part of a 'Tamworth Community Offer' we will:

- Improve our use of 'insight' in shaping services and directing investment;
- Better align service delivery to ensure we act with purpose and are accountable;
- Support the Demand Management model with prevention approaches which seek to tackle causes and reduce costs;
- Develop approaches which genuinely 'empower' individuals and communities;
- Support a transformed dialogue with residents - recognising that our financial capacity will be less than in previous years which means educating and supporting communities to focus resources on 'needs' and being clear on what we are able to do and equally what we can't.

It is through the Corporate Plan that these aspirations and expectations will be achieved. The scale, scope and timescale relating to these outcomes presents the Council with a challenging yet achievable task over the forthcoming years.

It is important to note that whilst the plan focuses upon delivering against the 3 Thematic Priorities, the Council must also ensure that the wide range of day-to-day operational and support services continue to be delivered to a consistent and efficient standard. In doing so, it demonstrates how "Delivering Quality Services" both connects and underpins the Thematic Priorities.

### **Key Drivers**

- One: Create Insight and use our Knowledge - systematic collation and analysis;
- Two: Be Clear About Our Service Offer - consistent approach to customer services;
- Three: Prevention and Earliest Help approaches - get 'upstream' of the demand.

The approach to the preparation of the Corporate Plan, driven by Members, was based upon the collection, collation and analysis of a range of information; an understanding of local issues and an awareness of key influences.

In summary:

- Data, Customer/User insight and intelligence;
- Public consultation and wider engagement outcomes;
- A detailed understanding of our partners' plans;
- Political intentions and ambitions across the parties and the tiers;
- Our strategic plans – e.g., Local Plan; Housing & Health Strategies, Growth & Regeneration;
- Detailed knowledge of local and regional growth through devolution plans/intentions;
- Financial constraints and opportunities.

The **Vision, Strategic Priorities & Plans** at **Appendix A** set out how, under each Strategic priority, we plan to deliver gains or stated ambitions in order to progress against each priority.

There are a number of key challenges affecting the medium term financial planning process (as detailed within the report), which add a high level of uncertainty to budget projections.

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

The Council continues to be faced with significant financial demands from Central Government following new legislation in areas such as Homelessness, Data Protection (& the General Data Protection Regulations - GDPR), planning and transparency – as well as substantial reductions in Government grant support.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

We continue to focus on supporting vulnerable people and in particular in ensuring that those facing difficulties in relation to financial hardship and housing difficulties are prioritised. We will work collaboratively with others to maximise our collective effectiveness and will seek to develop the role played by the third sector.

In addition, we will be developing our operating model to further strengthen our service delivery and strategic approaches.

In particular we will further reinforce our use of knowledge and evidence in decision making, ensure that we are clear in our service offer and accountable to residents.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

Additional demands for services (i.e. benefits and housing) arising from these austere times have been included where possible but this is dependent on the length and depth of the austerity measures.

In addition there are a number of key uncertainties which will inform future budget considerations:

- a) Future Revenue Support Grant levels for future years - the budget setting process has faced significant constraints in Government funding in recent years - over 50% reduction since 2010.

The 4 year Local Government Finance Settlement confirmed in February 2016 that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020.

However, there remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation. The following reforms were planned to be in place by 2020/21 but given announcements following the 2019 Spending Round these have been deferred until 2021/22.

The Government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, a one-year Spending Round has been carried out, covering the financial year 2020/21; and this will be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

In addition, the Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22.

- **Fair Funding Review (FFR)** of the distribution methodology (now from 2021/22) including:
  - changes to the needs assessment (which will determine each Council's share of the national funding for Local Government – it is likely that this will reflect the impact of Social Care demands and that funding will be redistributed to Unitary and County Councils to the detriment of District Councils);

- treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax); and
  - any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding.
- **Spending Review 2020 (SR20)** – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It has already been announced that significant additional funding will be diverted to the NHS which could mean further reductions for other Departments including Local Government;
  - The ongoing **review of the Business Rates Retention (BRR) scheme** (now from 2021/22) – the Government announced that Councils will be able to retain 75% of business rates collected rather than 100% as previously planned with work progressing on the design of the new system including the impact of ‘rolling in’ grants such as Housing Benefit administration and New Homes Bonus;
  - The planned **reset of the Business Rates baseline** for each Council and redistribution of the growth achieved since 2013 of over £1m p.a. (now from 2021/22);
  - Uncertainty over the ongoing funding for the **New Homes Bonus scheme**, local growth in housing numbers and share of the national pool (including potential increases to the ‘deadweight’ for which Councils no longer receive grant). The Government have confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government’s intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

In addition, the next planned national **Business Rates Revaluation** will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a **centralised system for business rate appeals** at the same time to cover future changes arising from the 2021 valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils’ finances.

- b) In 2016/17, at the start of the four-year offer made to local government, the Government introduced a separate council tax referendum principle for shire districts, to address particular pressures on these authorities.

This principle meant that districts could increase council tax by the core principle (now announced as 2% for 2020/21 – this was previously 3%) or £5, whichever is greater.

The Government continued to grant this flexibility in 2017/18, 2018/19 and 2019/20 and have now announced it is to continue for 2020/21.

- c) Uncertain economic conditions within the UK economy, following the decision to leave the EU, may also lead to a suppression of business growth and investment – together with the associated impact on Business Rate growth and employment.
- d) Future Pension contribution levels – the results from the 2019 triennial review, carried out by the Actuary employed by the Pension Fund, have now been confirmed - indicative *ongoing* annual increases in Employer's contributions of c. £150k p.a. (1% p.a. increase) had been included from 2020/21 for 3 years (followed by increases of 2% p.a.). This includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a. Given the uncertain economic situation and arising from the Council's position in its participation in the Fund's contribution stability mechanism, the option to freeze contribution levels for 3 years has been communicated to the Pension Fund Actuary. This will lower costs in the short term and the actuary has confirmed it would not have an unsustainable impact on the pension fund. There will also be a saving of c.£183k in lump sum costs by making an advance payment of the 3 year costs in April 2020.
- e) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1<sup>st</sup> January 2015. In addition, from April 2016, a new compulsory National Living Wage (NLW) for the over 25s was introduced to replace the National Minimum Wage. A further 1% pay cap for public sector workers for the 4 years from 2016/17 was set but following Government announcements regarding public sector pay this cap was lifted from 2018/19 with a 2% increase agreed.

For 2019/20 a 2% increase was agreed and included the introduction of a new pay spine on 1<sup>st</sup> April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. A 2.5% p.a. increase from 2020/21 has been assumed.

- f) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents and Council Tax) of the Council;
- g) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- h) Due to uncertainties around the Better Care Fund, a risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted. A grant of £400k p.a. has been assumed;



In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix L**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix M**).

The assumptions made in the production of the MTFS are based on the best information available at the time and are subject to change. These will be monitored and reviewed on a Quarterly basis by CMT and Cabinet.

The Treasury Management Strategy Statement and report attached at **Appendix N** outlines the Council's Prudential Indicators for 2020/21 to 2022/23 and sets out the expected Treasury operations for this period.

Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2017, the following four clauses have been adopted:

- a) This Council will create and maintain, as the cornerstones for effective treasury management:

A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- b) This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- c) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the organisation's policy statement and TMPs.
- d) This Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2020/21 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	<b>£5.00 increase in Council tax in 2020/21 (followed by increases of £5.00 p.a.)</b>
Model 2	2.99% increase in Council tax in 2020/21 (followed by increases of c.2.99% p.a.)
Model 3	£1 increase in Council tax in 2020/21 (followed by increases of £1 p.a.)
Model 4	2.5% increase in Council tax in 2020/21 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2020/21 (followed by increases of 0% thereafter)
Model 6	1.99% increase in Council tax in 2020/21 (followed by increases of 1.99% thereafter)

Rent	Option Modelled / Considered
CPI plus 1%	The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard
CPI	General increase in line with CPI
No increase	No general increase in annual rent

These are detailed within the Base Budget report to Cabinet on 28<sup>th</sup> November 2019 and the Draft Medium Term Financial Strategy report to Cabinet on 22<sup>nd</sup> January 2020 and Joint Scrutiny Committee (Budget) on 29<sup>th</sup> January 2020.

## Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Fund Summary Revenue Budget for 2020/21 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.5m, at the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (2.83%) for 2020/21 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 2.0%) followed by increases of £5 p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2020/21 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period).

Closing balances over 5 years for the HRA are estimated at £1.1m (compared to the minimum approved level of £0.5m).

The 5-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£4.2m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£0.5m over 5 years (the approved minimum level is £0.5m).

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. In the view of the Executive Director Finance, the budget proposals enclosed within this report include estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. In his view, the level of reserves remains adequate for the Council based on this budget and the circumstances in place at the time of preparing it.

### **Legal / Risk Implications**

The Council's constitution requires Cabinet publish initial proposals for the budget, having first canvassed the views of local stakeholders as appropriate - budget proposals were considered at the Joint Scrutiny Committee (Budget) meeting on 29<sup>th</sup> January 2020. In line with the constitution a Leaders Budget Workshop was held on 9<sup>th</sup> January 2020 to outline the issues affecting the MTFs arising from the base budget forecast.

The budget has been set following extensive consultation with the people of Tamworth. This includes feedback and responses from the 'Tamworth Listens' budget consultation exercise.

Proposed amendments to the 2019/20 base budget, approved by Council on 26<sup>th</sup> February 2019, are detailed within the report.

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Key Risks to Revenue and Capital Forecasts:

<b>Risk</b>	<b>Control Measure</b>
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); <b>(High)</b>	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels;  <b>(High / Medium)</b>

<b>Risk</b>	<b>Control Measure</b>
New Homes Bonus grant levels lower than estimated; Continuation of the scheme for 2020/21 has been confirmed – doubt over its continuation in future years; <b>(High/Medium)</b>	Future levels included based on legacy payments only;  <b>(Medium/Low)</b>
Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; <b>(Medium)</b>	Current indications are that increases of 2% or £5 and above risk ‘capping’ (3% or £5 for District Councils in 2019/20); <b>(Low)</b>
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council’s objectives through years 4 to 5. Ongoing; <b>(High)</b>	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast;  <b>(High/Medium)</b>
Pay awards greater than forecast;  <b>(Medium)</b>	Public sector pay cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years. Increases of 2.5% p.a. assumed from 2020/21; <b>(Medium / Low)</b>
Pension costs higher than planned / adverse performance of pension fund;  <b>(Medium)</b>	Regular update meetings with Actuary; Confirmation of a freeze in the ‘lump sum’ element has been received following the triennial review during 2019 informing the 3 years from 2020/21; <b>(Medium/Low)</b>
Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels;  New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation;  Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected from 2021/22; <b>(High)</b>	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue;  Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels;  Monitoring of the situation / regular reporting;  <b>(High / Medium)</b>
Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels;  <b>(High)</b>	Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue;  <b>(High / Medium)</b>
Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; <b>(High / Medium)</b>	Robust estimates using a zero based budgeting approach have been included;  <b>(Medium)</b>

Risk	Control Measure
<p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund);</p> <p><b>(High / Medium)</b></p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress;</p> <p><b>(Medium)</b></p>
<p>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC).</p> <p><b>(High / Medium)</b></p>	<p>Memorandum of Understanding in place with LDC.</p> <p><b>(Medium)</b></p>
<p>Delivery of the planned Commercial Investment Strategy actions - recent review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance carried out by MHCLG - with a potential restriction of investments by Councils given increased risk exposure.</p> <p><b>(High/Medium)</b></p>	<p>The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities.</p> <p><b>(Medium)</b></p>
<p>Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such.</p> <p><b>(High / Medium)</b></p>	<p>Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. <b>(Medium)</b></p>
<p>Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR).</p> <p><b>(High / Medium)</b></p>	<p>Implementation plan in place with corporate commitment and good progress.</p> <p><b>(Medium)</b></p>
<p>Property funds are not risk free - as such a risk based approach will need to be adopted – to balance risk against potential yield or return.</p> <p>Based on past performance there is the potential for returns of c.4 to 5% p.a. but this is not guaranteed.</p> <p>The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains).</p> <p>The initial cost associated with the purchase of the investment in the funds is expected to be in the region of 5% - which would have to be recovered over the life of the investment (either from annual returns or capital appreciation). There is a real risk of a revenue loss therefore in the first year.</p> <p><b>(High/Medium)</b></p>	<p>Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council.</p> <p>Risk is inherent in Treasury Management and as such a risk based approach will need to be adopted – to balance risk against potential yield or return.</p> <p>The risk will be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds.</p> <p>The Council will also endeavour to use the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route.</p> <p>Mitigation regulations are in place to defer any potential principal loss for 5 years.</p> <p><b>(Medium)</b></p>

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

## **Sustainability Implications**

At its meeting on 19<sup>th</sup> November 2019, Tamworth Borough Council declared a Climate Emergency together with specific actions including to ensure that all reports in preparation for the 2021/22 budget cycle and investment strategy will take into account the actions the Council will take to address this emergency (minute 18 refers).

Budget provision of £105k for 2020/21 is included in the proposals to fund emerging Climate Emergency initiatives as well as specific actions contained within this report including Energy Efficiency Upgrades to Commercial and Industrial Units, energy efficient street lighting and improvements to the Council's housing stock. These include gas central heating upgrades and renewals, neighbourhood regeneration (including environmental works), insulation works and energy efficiency improvements.

In addition, spend in 2020/21 (deferred from 2019/20) will include improvements to Public Open Space including Wigginton Park, Broadmeadow Nature Reserve, Local Nature Reserves and the Amington Community Woodland and Cycleway.

### **Report Author:**

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, Executive Director Finance – tel. 709242.

<b>Background Papers:-</b>	<b>Corporate Vision, Priorities Plan, Budget &amp; Medium Term Financial Strategy 2019/20, Council 26<sup>th</sup> February 2019</b>
	<b>Budget and Medium Term Financial Planning Process, Cabinet 15<sup>th</sup> August 2019</b>
	<b>Budget Consultation Report, Cabinet 7<sup>th</sup> November 2019</b>
	<b>Draft Base Budget Forecasts 2020/21 to 2024/25, Cabinet 28<sup>th</sup> November 2019</b>
	<b>Treasury Management Strategy Statement &amp; Annual Investment Strategy Mid-year Review Report 2019/20, Council 10<sup>th</sup> December 2019</b>
	<b>Leaders Budget Workshop, 9<sup>th</sup> January 2020</b>
	<b>Draft Budget and Medium Term Financial Strategy 2019/20 to 2023/24, Cabinet 24<sup>th</sup> January 2019 / Joint Scrutiny Committee (Budget) 30<sup>th</sup> January 2019</b>
	<b>Business Rates Income Forecast (NNDR1 return), Cabinet 24<sup>th</sup> January 2019</b>
	<b>Treasury Management Practices 2020/21 (Operational Detail)</b>

## Summary of Appendices

<b>Description</b>	<b>Appendix</b>
<b>Corporate Vision for Tamworth</b>	<b>A</b>
<b>Detailed Considerations</b>	<b>B</b>
<b>Policy Changes</b>	<b>C</b>
<b>HRA Budget Summary 2020/21 – 2024/25</b>	<b>D</b>
<b>General Fund Summary Revenue Budget 2020/21</b>	<b>E</b>
<b>General Fund Technical Adjustments 2020/21 (before policy changes)</b>	<b>F1</b>
<b>HRA Technical Adjustments 2020/21 (before policy changes)</b>	<b>F2</b>
<b>General Fund 3 Year Revenue Budget Summary</b>	<b>G</b>
<b>Council Tax Levels at each Band 2020/21</b>	<b>H</b>
<b>General Fund 5 Year Capital Programme 2020/21 – 2024/25</b>	<b>I</b>
<b>Housing 5 Year Capital Programme 2020/21 – 2024/25</b>	<b>J</b>
<b>Main Assumptions</b>	<b>K</b>
<b>Sensitivity Analysis</b>	<b>L</b>
<b>Contingencies</b>	<b>M</b>
<b>Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2020/21</b>	<b>N</b>
<b>Corporate Capital Strategy</b>	<b>O</b>
<b>Community Impact Assessment</b>	<b>P</b>

## **TAMWORTH BOROUGH COUNCIL: VISION**

**To put Tamworth, its people and the local economy at the heart of everything we do**

### **OUR PURPOSE IS TO**

- help tackle causes and effects of poverty and financial hardship
- increase all residents' resilience and access to information
- engage with our residents to promote community involvement and civic pride
- support the development of Tamworth now, and in the future
- help the local economy to grow in a way which benefits our residents and businesses
- utilise Council resources effectively
- help tackle the causes of inequality and increase opportunities for all residents and businesses
- help protect, nurture and celebrate our local heritage
- help prevent homelessness and help people access suitable housing
- help build resilient communities
- help develop and safeguard our environment and open spaces

### **OUR STRATEGIC PRIORITIES FOR 2019-2022**

#### **People and Place**

1. To meet housing needs through a variety of approaches and interventions
2. To facilitate sustainable growth and economic prosperity
3. To work collaboratively and flexibly to meet the needs of our communities
4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century

#### **Organisation**

1. To be financially stable
2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses
3. To ensure our service delivery is consistent, clear, and focused
4. To ensure our decisions are driven by evidence and knowledge



<b>People and Place Priorities</b>	<b>Why is this a priority?</b>
<p><b>1. To meet housing needs through a variety of approaches and interventions</b></p>	<p>Access to safe and suitable accommodation is a key issue for Tamworth residents and continues to be the highest area of demand for Council services overall.</p> <p>The Council places a high priority on its role in supporting people to access the housing they need, seeking to improve standards across all tenures and working to ensure that neighbourhoods can thrive.</p>
<p><b>2. To facilitate sustainable growth and economic prosperity</b></p>	<p>Tamworth is well placed to benefit from the economic prosperity of the West Midlands as a whole and the Council recognises the importance of its role in ensuring that this increased prosperity benefits all residents and enhances our town.</p> <p>We welcome continued infrastructure growth including increased housing. However, we believe that the Council has a pivotal role to play in ensuring that this growth is managed in a way which enhances the lives of our residents, protects our environment and supports a balanced economy.</p>
<p><b>3. To work collaboratively and flexible to meet the needs of our communities</b></p>	<p>The Council has invested strongly in the development of innovative and proactive collaboration across agencies and sectors and has a well-earned reputation for placing partnership at the heart of our approach.</p> <p>We consider that our ability to deliver positive outcomes for residents is enhanced by working with others and as a result we will continue to invest in the development of purposeful and meaningful partnerships. In particular we will focus on enhancing the work that we do with others to protect vulnerable people and enhance neighbourhoods.</p>
<p><b>4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century</b></p>	<p>As is the case across the UK the nature and use of our town centre is changing, with a reduction in the viability of the retail offer in its traditional form. However, the town centre remains an important resource for the town as a whole, with the potential to greatly enhance Tamworth's already enviable leisure offer.</p> <p>We believe that the Council is well placed to lead the development of a clear and inclusive vision for the town centre which provides the framework for future sustainability. This will link to our own plans for regeneration including the re-development of the Gungate Area.</p>

Organisational Priorities	Why is this a priority?
<p><b>1. To be financially stable</b></p>	<p>Along with much of the public sector Tamworth is facing an uncertain financial future. The Council has a proven track record as a trusted custodian of public finances and we will continue to emphasise the importance of sound financial management linked to effective risk management and governance.</p> <p>We further believe that by adopting commercial approaches and critically evaluating commercial opportunities we can significantly increase our financial sustainability and increase our ability to offer VFM for residents.</p>
<p><b>2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses</b></p>	<p>We consider that our teams and our elected members constitute our greatest asset and that by ensuring that every individual has the necessary skills, competencies and knowledge to fulfil their roles we can work most effectively for the benefit of residents.</p> <p>Ensuring that front line staff and elected members have access to useful and up to date information regarding service delivery and community issues also greatly increases effectiveness and we will prioritise the development of resources which maximise the accessibility of information.</p>
<p><b>3. To ensure our service delivery is consistent, clear, and focused</b></p>	<p>Ensuring that residents are able to easily access clear information about the standards of service they can expect from us will greatly help to reduce waste demand and promote confidence in the Council. Of equal importance is ensuring that the right tools are in place to deliver consistently to the expected standard.</p> <p>We will prioritise the development of clear standards of service across the organisation and will further develop our approaches to measure and respond quickly to customer intelligence and levels of satisfaction.</p>
<p><b>4. To ensure our decisions are driven by evidence and knowledge</b></p>	<p>The Council receives a considerable amount of useful information through customer feedback along with statistical information from a variety of sources. We believe that by ensuring we are making the maximum of use of all available information and knowledge we can create insight to inform decision making at every level.</p> <p>We will work to further develop the means by which we collect, collate and analyse all available information for the purpose of enhancing our ability to support evidence based decision making.</p>

## Supporting Strategies and Plans

### PEOPLE AND PLACE

#### Supporting Strategies

- Housing Strategy
- Homelessness Strategy
- HRA Business Plan
- Tamworth Local Plan
- Indoor & Outdoor Sports Strategy
- Asset Management Strategy
- Countywide Waste Strategy (collective ownership)
- Tourism Strategy
- Tenancy Management Strategy
- Partnership Strategies
- Town Centre Strategy
- Town Centre Masterplan

#### Plans / Projects

- HRA business plan
- Tamworth Local Plan
- Tinkers Green & Kerria Redevelopment
- Garage Site Redevelopment
- Partnership Strategies

### ORGANISATION

#### Supporting Strategies

- MTFS
- Treasury Management Strategy & Corporate Capital Strategy
- Organisation / People Strategy
- Communications / Engagement / Consultation Strategy
- ICT and Digital Strategy
- Data Management Strategy
- Customer Service and Access Strategy
- Commercial Investment Strategy
- Risk Management Strategy
- Procurement Strategy
- Health & Safety Policy
- Marketing Strategy

#### Plans and Key Projects

- Corporate Plan
- Business Plans
- Priority Reviews
- Focus on the Future
- Tamworth Community Offer
- Investment Plan
- Civil Contingency Plan

## **Detailed Considerations**

### **Introduction**

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2020/21 and provisional proposals for the following years.

It is intended that all aspects of the budget should be agreed by Members and so this report details each amendment which is proposed to the 2019/20 budget to arrive at the starting point for 2020/21. The report deals in turn with each of the key elements and towards the end of each section is a summary table. Each of these tables is brought together in the summary and conclusions section at the end of the report.

The Council's MTFS used as the basis for the 2020/21 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the Government's austerity agenda & economic situation;
- Injecting additional resources into Corporate Priorities;
- Increasing income from council tax and fees and charges;
- Making other savings and efficiencies.

### **Financial Background**

The medium term financial planning process is being challenged by the uncertain economic conditions. The forecast grant reductions and continuing uncertainty have put significant pressure on the ability of the Council to publish a balanced MTFS.

It has been suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code (minimum balances of £0.5m) by which time the impact should be clearer.

There are a number of other challenges affecting the Medium Term Financial Planning process for the period from 2020/21 which add a high level of uncertainty to budget projections.

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix L**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix M**).

Following review of the sensitivity of the factors within the forecasts, pay award & inflation, interest rate movements together with changes in Government Grant support could all significantly affect the forecast as follows:

Effect of x% movement:	% + / -	Impact over 1 year +/-	Impact over 3 years +/-	Risk
		£'000	£'000	
Pay Award / National Insurance (GF)	0.5%	43	265	M/H
Council Tax	0.5%	39	185	M
Inflation / CPI	0.5%	49	307	M/H
Government Grant	1.0%	42	198	M
Investment Interest	0.5%	176	925	H
Key Income Streams	0.5%	10	61	L
Business Rates	0.5%	72	449	H

## GENERAL FUND

### Future Revenue Support Grant & Business Rate income

On 20<sup>th</sup> December 2019, the Secretary of State for the Ministry for Housing, Communities and Local Government, Rt. Hon. Robert Jenrick MP, made a written statement to Parliament on the provisional local government finance settlement (LGFS) 2020/21. This was confirmed in a written statement to Parliament on 6<sup>th</sup> February 2020.

The updated National Core Spending Power figures are detailed below and include the Settlement Funding Assessment (SFA); Council Tax; the Improved Better Care Fund; New Homes Bonus (NHB); Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant. The table shows the national changes to Core Spending Power between 2015/16 and 2020/21. It shows an increase of 6.3% for 2020/21 and an overall increase for the period 2015/16 to 2020/21 of 10%.

<b>Core Spending Power National Position</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560	14,797
Under-indexing business rates multiplier	165	165	175	275	400	500
Council Tax	22,036	23,247	24,666	26,332	27,768	29,370
Improved Better Care Fund	-	-	1,115	1,499	1,837	2,077
New Homes Bonus	1,200	1,485	1,252	947	918	907
Rural Services Delivery Grant	16	81	65	81	81	81
Transition Grant	-	150	150	-	-	-
Adult Social Care Support Grant	-	-	241	150	-	-
Winter pressures Grant	-	-	-	240	240	-
Social Care Support Grant	-	-	-	-	410	1,410
<b>Core Spending Power</b>	<b>44,666</b>	<b>43,730</b>	<b>44,296</b>	<b>45,098</b>	<b>46,213</b>	<b>49,142</b>
<b>Change %</b>		<b>(2.1)%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>2.5%</b>	<b>6.3%</b>
<b>Cumulative change %</b>		<b>(2.1)%</b>	<b>(0.8)%</b>	<b>1.0%</b>	<b>3.5%</b>	<b>10.0%</b>

However, there remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation. The planned reforms were due to be in place by 2020/21 but given announcements following the *2019 Spending Round* these have been deferred until 2021/22.

The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, a one-year Spending Round has been carried out, covering the financial year 2020/21; and this will be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

In addition, the Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22.

The Government issued the Local Government Finance Settlement 2020/21 Technical Consultation paper which proposed that the 2019/20 Settlement Funding Assessment amounts will increase in line with the small business non-domestic rating multiplier for 2020/21. This will mean that they will increase by the September CPI amount (since confirmed as 1.7%) unless it is capped.

Authorities will therefore see CPI increases in both their Baseline Need and Revenue Support Grant amounts. This is the first time both elements will increase by CPI, as in previous years RSG was reduced (in order to offset the funding gain from Baseline Need increases).

For Baseline Need to increase by CPI, NNDR Baseline and Top up / Tariff amounts will also increase by CPI (as in previous years).

For future years (post 2020/21), it has been assumed that there will be a reduction in Revenue Support Grant to nil following the planned reforms, as detailed below.

<b>BASE BUDGET</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	£	£	£	£	£	£
Revenue Support Grant	- *	187,335	-	-	-	-
% Reduction	(63)%	1.7%	(100)%	-	-	-

\* Due to successful Staffordshire 75% Business Rates Pilot arrangement for 2019/20, RSG of £184,529 was 'rolled in' and deducted from the tariff payment.

## **Business Rates**

Given the current economic climate and further anticipated reductions in Central Government Grant support together with the uncertainty around the impact of the changes to the Business Rate Retention scheme, the Business Rate reset and the Fair Funding Review, detailed modelling has been carried out in order to prepare estimated Business Rates income levels.

The 2020/21 finance settlement represents the eighth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

Additional monthly monitoring has been implemented since the implementation of business rate retention from 2013/14 – following approval of the NNDR1 form (Business Rates estimates) by Cabinet in January each year.

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £356k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). No levy was payable for 2014/15 due to the significant increase in appeals during March 2015 – which meant an increase in the provision from £1m to almost £4m. The Council received additional business rates during 2015/16, 2016/17, 2017/18 and 2018/19 (above forecast / baseline) and had to pay a levy of £534k, £612k, £1.17m and £992k respectively.

The latest estimates for 2019/20 indicate additional business rates receivable above the baseline – of which the Council will receive 40% less the Government set tariff payment of c.£10m (plus an agreed share of the surplus from the Staffordshire Pilot arrangement - after deduction of the 25% Central Share, 34% County & 1% Fire & Rescue Authority shares).

However, the future position is less certain. A robust check & challenge approach has been taken of any increases on the base figure, including a risk assessed collection level.

New Burdens (Section 31) Grant is receivable for additional reliefs given by the Government relating to business rates from 1<sup>st</sup> April 2013 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the Staffordshire and Stoke on Trent Business Rates pool. A prudent approach has been taken in respect of any new burdens funding – and, due to uncertainties & risk, the creation of an associated Business Rates Collection reserve to mitigate fluctuation in income. The forecast Section 31 Grants and levy payments included within the base budget forecasts are detailed below.

<b>Levy / Section 31 Grant</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>
NNDR Levy payment	965,810	1,090,020	-	-
Section 31 Grant income	(1,086,640)	(1,095,550)	-	-



For future years, the Government assessed Business Rates Baseline is detailed below:

<b>BASELINE</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Base Budget Forecast (November 2019):</b>			
Retained Business Rates	12,778,290	15,403,818	15,704,865
Less: Tariff payable	<b>(10,433,555)</b>	<b>(13,041,378)</b>	<b>(13,294,366)</b>
Total SFA	2,344,735	2,362,440	2,410,499
% Reduction	<b>(5.7)%</b>	0.8%	2.0%
<b>Provisional LGFS (December 2019):</b>			
Retained Business Rates	12,744,347	15,403,818	15,704,865
Less: Tariff payable	<b>(10,405,841)</b>	<b>(13,041,378)</b>	<b>(13,294,366)</b>
Total SFA	2,338,506	2,362,440	2,410,499
% Reduction	<b>(5.9)%</b>	<b>1.0%</b>	<b>2.0%</b>
<b>(Increase) / Decrease</b>	<b>6,229</b>	-	-

However, due to the variable nature of the BRR element of local authority funding, the provisional settlement no longer provides the absolute funding level for authorities. The Government's assessed Business Rates Baseline for the authority is only based on an adjusted average income figure, and therefore is not representative of the actual Business Rates Baseline within the MTFS forecast. The business rates forecast income (NDR1) has now been finalised – the updated budget estimates are detailed below:

<b>BASE BUDGET</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Draft MTFS (January 2020):</b>			
Revenue Support Grant	187,535	-	-
Retained Business Rates	14,432,332	15,403,818	15,704,865
Less: Tariff payable	<b>(10,405,841)</b>	<b>(13,041,378)</b>	<b>(13,294,366)</b>
Total	4,214,026	2,362,440	2,410,499
% Increase / (Decrease)	<b>26.5%</b>	<b>(43.9)%</b>	<b>2.0%</b>
% RSG Increase* / (Decrease)	1.7%	<b>(100.0)%</b>	-%
<b>Final NDR1 (January 2020):</b>			
Revenue Support Grant	187,535	-	-
Retained Business Rates	13,828,842	15,403,818	15,704,865
Less: Tariff payable	<b>(10,405,841)</b>	<b>(13,041,378)</b>	<b>(13,294,366)</b>
Total	3,610,536	2,362,440	2,410,499
% Increase / (Decrease)	<b>8.4%</b>	<b>(34.6)%</b>	<b>2.0%</b>
% RSG Increase* / (Decrease)	1.7%	<b>(100.0)%</b>	-%
<b>(Increase) / Decrease</b>	<b>603,490</b>	-	-

The retained Business Rates forecast is based on the statutory NNDR1 return – approved by Cabinet on 22<sup>nd</sup> January 2020 – prior to final sign off by the statutory deadline of 31<sup>st</sup> January 2020.

There are still significant uncertainties - specifically the treatment of:

- The level of inflation affecting the future increases to the multiplier;
- Forecast levels of growth in business rates;
- The estimated level of mandatory and discretionary reliefs;
- The estimated level of refunds of Business Rates following the Appeal process;
- the treatment of Section 31 grant funding (including Small Business Rate Relief Grant) – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income; and
- The impact of the Business Rates Retention scheme review, Baseline reset (the Council's baseline need level), the Fair Funding Review and the Spending Review planned for 2020 on the likely tariff levels for future years.

In addition, the next planned national Business Rates Revaluation will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a centralised system for business rate appeals at the same time to cover future changes arising from the 2021 valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils' finances.

### **New Homes Bonus (NHB)**

When the base budget was prepared, it had been assumed that the New Homes Bonus scheme will continue with such funding included using a risk based approach.

The New Homes Bonus scheme was subject to a consultation paper in December 2015. This paper outlined a number of potential changes to the scheme, including a change in the scheme's funding. This change moved from having an open-ended funding amount (based on the number of new homes) to a finite amount that could not be exceeded. The funding for the scheme over the period 2017/18 to 2019/20 was also announced, these amounts being:

2017/18	£1,493m
2018/19	£938m
2019/20	£900m

There remains significant uncertainty over the future operation of the scheme with recent announcements that it will be considered as part of the review of Fair Funding review and the Business Rates retention scheme – deferred until 2021/22.

The Government have now confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government's intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

New Homes Bonus income forecasts have subsequently been updated and included within the base budget as follows – with future levels included based on legacy payments only.

<b>BASE BUDGET</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>NHB</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Risk Weighting applied – MTFS 2019	37.5%	37.5%	25%	25%	25%
MTFS 2019 Budget	293,800	401,750	457,920	399,250	399,250
Confirmed NHB 2020/21	650,380	232,490	212,700	-	-
<b>Increased / (Reduced) income</b>	<b>356,580</b>	<b>(169,260)</b>	<b>(245,220)</b>	<b>(399,250)</b>	<b>(399,250)</b>
Revised Risk Weighting applied (legacy payments only)	100%	100%	100%	0%	0%

**This results in an overall loss to the MTFS of £0.1m over 3 years (£0.9m over 5 years).**

The national baseline for housing growth below which New Homes Bonus will not be paid was unchanged at 0.4% (reflecting a percentage of housing that would have been built anyway).

## Technical Adjustments

Revisions have been made to the 2019/20 base budget in order to produce an adjusted base for 2020/21 and forecast base for 2021/22 onwards. These changes, known as technical adjustments have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs and reduction in grant income;
- a 'Zero base budgeting' review of income levels.

They are summarised in **Appendix F1** and the main assumptions made during this exercise are shown in **Appendix K**.

They have been separated from the policy changes, as they have already been approved or are largely beyond the control of the Council, and are summarised below:

<b>Technical Adjustments</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Base Budget B/Fwd	9,403	8,267	8,645
Committee Decisions	(517)	(356)	25
Inflation	24	38	37
Other	(1,177)	394	(150)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	534	302	293
Revised charges for non-general fund activities	-	-	-
<b>Total / Revised Base Budget</b>	<b>8,267</b>	<b>8,645</b>	<b>8,850</b>

\* ( ) denotes saving in base budget

## Policy Changes

The policy changes provisionally agreed by Council in February 2019 have been included within the technical adjustments for 2020/01 onwards. **A list of the proposed new policy changes for 2020/21 is summarised below:**

Item No	Policy Changes Identified	20/21 £'000	21/22 £'000	22/23 £'000
PE1/ OPS6	To increase the number of Apprentice posts from 6 to 8 across the Council	42.00	-	-
PE2	Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts	106.43	-	(106.43)
PE3	Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE on a temporary basis	45.97	-	(40.97)
OPS1	Reinstated funding from SCC re highway verge mowing	(128.32)	-	-
OPS2	Increase in staffing and equipment to reflect reinstated SCC funding	96.24	-	-
OPS3	Assembly Rooms - Additional costs from latest projections of Assembly Rooms costs and income	124.50	(62.25)	(31.00)
FIN1	Reduced contingency budget	(200.00)	105.00	-
FIN2	Revised New Homes Bonus	(35.56)	33.98	0.63
FIN3	Revenue Implications of Capital Programme	20.00	19.00	6.00
FIN4	Revenue Implications of Capital Programme	32.00	30.00	10.00
FIN5	Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020	(88.47)	(2.70)	(2.54)
FIN6	Revised Business Rates Levy payment	(284.93)	284.93	-
FIN7	Revised Business Rates Section 31 Grant Income	12.84	(12.84)	-
FIN8	Contribution to Transformation Reserve	1000.00	(1000.00)	-
FIN9	Climate Emergency Initiatives	105.00	(105.00)	-
NEI1	To permanently appoint the Housing Solutions Review Officer	35.50	-	-
NEI2	Use of flexible homelessness support grant to part fund the post on an ongoing	(15.00)	-	-
NEI4	Revised CCTV Costs	(337.93)	337.93	-
AST1	Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy.	3.50	-	-
AST2	Condition survey of Corporate/Commercial & Industrial properties - £100k every 10 years	100.00	(100.00)	-
AST3	Financial modelling toolkit	2.50	-	-
AST4	Cleaning Services Review	41.00	-	-
AST5/ OPS5/ G&R3	Cleaning Costs have changed since the Cabinet Report due to a requirement to provide additional cleaning services with the Assembly Rooms. Additional Cleaning duties are also required for the Town Centre Public Conveniences.	29.20	-	-

Item No	Policy Changes Identified	20/21 £'000	21/22 £'000	22/23 £'000
AST6/ OPS5/ G&R3	Saving in contract cleaning budgets	(15.75)	-	-
AST7	Marmion House Accommodation	55.30	0.80	0.90
AST9	AccessAble access guides with accessible information for disabled people, carers, wheelchair users	18.00	(15.00)	-
A&G1	Review of Elections budgets from a zero-base, factoring in the known schedule of elections	4.80	(63.00)	63.00
WM1	Potential Waste Management cost increases	135.70	99.70	325.95
G&R1	Reduction in the Planning Application Fees income budget to reflect the fact that income received in recent years has included a number of large schemes	50.00	-	-
ALL	Review of Underspent Budgets and Contingencies	(96.79)		
	<b>Total New Items / Amendments</b>	<b>857.73</b>	<b>(449.45)</b>	<b>225.54</b>
	<b>Cumulative</b>	<b>857.73</b>	<b>408.28</b>	<b>633.82</b>

## Capping / Local Referendum

In the past, the Government had the power under the Local Government Act 1999 to require councils to set a lower budget requirement if it considered the budget requirement and council tax had gone up by too much. The Localism Act 2011 abolished the capping regime but introduced new requirements on a Council to hold a local referendum if it increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

The principles for 2020/21 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2019/20, they set council tax increases that are equal to or exceed the greater of 2% or £5. Consideration of the likely level of Council Tax increases over the 5-year period is needed to avoid the potential costs of holding a referendum and to ensure that balances are maintained at the minimum approved level of £0.5m. The indications are that a potential threshold will be the greater of 2.0% or £5 in future years - the impact of a £5 p.a. increase is outlined below.

## Council Tax

Last year's medium term financial plan identified ongoing increases of 2.99% per annum from 2020/21. It has been subsequently been revised and confirmed that the 'referendum' threshold will be the higher of £5 or 2.0% for 2020/21 (previous indications were that this would continue at 3%) - following a freeze in 2011/12 & 2012/13 and a below 2% increase from 2013/14 to 2016/17.

Each £1 increase in the band D Council Tax would raise approximately £22k per annum. For each 1% increase in Council Tax, the Council will receive c. £40k additional income per annum. The Council's provision for collection losses for 2019/20 has been approved at 2.1% (the same level as 2019/20). In order to meet the on-going expenditure requirements the Council will have to increase the underlying income base.

The Band D Council Tax would increase to £181.89 for 2020/21 (£176.89 - 2019/20). Future levels of Council Tax and the projected impact on the General Fund revenue account forecast would be as follows:

Year:	2020/21	2021/22	2022/23
Forecast:	£'000	£'000	£'000
Surplus (-) /Deficit	1,074	2,431	2,633
<b>Balances Remaining (-) / Overdrawn</b>	<b>(5,570)</b>	<b>(3,139)</b>	<b>(506)</b>
£ Increase	5.00	5.00	5.00
% Increase	2.83%	2.75%	2.68%
Note: Resulting Band D Council Tax	181.89	186.89	191.89

which indicates potential balances of £0.5m (compared to the minimum approved level of £0.5m) is forecast as remaining over the 3 year period. As current capping guidance indicates a 'capping' threshold of 2% or £5, this is considered a low risk option.

Also available to the Council to support expenditure otherwise funded from Council Tax are surpluses arising from the Council's share of surpluses (or deficits) within the Council Tax and Business Rates elements of the Collection Fund.

It is proposed that surpluses / deficits be used (and that the relevant sums be made available to the other precepting authorities – the County Council, Fire & Rescue and Office of the Police & Crime Commissioner (OPCC). It is estimated that there will be a surplus of £0.75m for Council Tax and a surplus of £0.8m for Business Rates.

Year:	2020/21	2021/22	2022/23
<b>Council Tax</b>	£'000	£'000	£'000
Council Tax Income	(4,068)	(4,253)	(4,430)
Collection Fund Surplus (Council Tax – 10%)	(77)	(33)	(33)
Collection Fund Surplus (Business Rates – 40%)	(323)	-	-

The County Council, Staffordshire OPCC and Staffordshire Commissioner Fire & Rescue Authority are due to finalise their budgets for 2020/21 during February 2020. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix H**.

## Balances

At the Council meeting on 29<sup>th</sup> February 2000 Members approved a minimum working level of balances of £0.5m. At 31<sup>st</sup> March 2020 General Fund Revenue Balances are estimated to be £6.6m, compared with £4.4m anticipated a year ago. The minimum level of balances for planning purposes will remain at £0.5m.

## Summary and Conclusions

These budget proposals reflect the need to compensate for reduced income levels arising from the economic uncertainty and significant reductions in Government funding, a desire to continue to address the Council's priorities / issues identified by Members and at the same time to seek continuous improvement in service delivery.

In addition, there remains a degree of uncertainty in a number of areas including the impact of the changes arising from welfare reforms on council tax and rent income, future local authority pay settlements, the potential for interest rate changes, future local government finance settlements and the level of future business rates income.

A summary of all the budget proposals is shown in the table below. The summary Revenue Budget for 2020/21 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Summary	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Estimated Net Cost of Services</b>	<b>8,267</b>	<b>8,645</b>	<b>8,850</b>
Proposed Policy Changes / Additional Costs Identified <b>(Detailed at Appendix C) (Rounded)</b>	858	408	634
Final Inflationary / recharge Adjustments (after Policy Changes inclusion)	28	27	23
<b>Net Expenditure</b>	<b>9,153</b>	<b>9,080</b>	<b>9,507</b>
<b>Financing:</b>			
RSG	(188)	-	-
Collection Fund Surplus (Council Tax)	(77)	(33)	(33)
Collection Fund Surplus (Business Rates)	(323)	-	-
Non Domestic Ratepayers	(13,829)	(15,404)	(15,705)
Tariff Payable	10,406	13,041	13,294
Council Tax Income	(4,068)	(4,253)	(4,430)
<b>Gross Financing</b>	<b>(8,079)</b>	<b>(6,649)</b>	<b>(6,874)</b>
Surplus(-) / Deficit	1,074	2,431	2,633
Balances Remaining (-) / Overdrawn	(5,570)	(3,139)	(506)
Per Council, 26 <sup>th</sup> February 2019	(2,362)	(518)	-



## HOUSING REVENUE ACCOUNT

### Technical Adjustments

The 2019/20 approved budget has been used as a base to which amendments have been made reflecting the impact of technical adjustments. The impact of the policy led changes, will be added to this figure to produce the HRA budget for 2020/21.

The following table illustrates the current position before the effect of policy led changes:

<b>Technical Adjustments</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
Base Budget B/Fwd	115	(429)	(892)	121	(1,294)
Committee Decisions	58	(53)	1,226	(1,226)	0
Inflation	125	127	162	135	139
Other	(744)	(639)	(458)	(412)	(414)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	17	102	83	88	82
Revised charges for non-general fund activities	-	-	-	-	-
<b>Total / Revised Base Budget</b>	<b>(429)</b>	<b>(892)</b>	<b>121</b>	<b>(1,294)</b>	<b>(1,487)</b>

Revisions have been made to the 2019/20 base budget in order to produce an adjusted base for 2020/21 and forecast base for 2021/22 onwards. These changes, known as technical adjustments, are largely beyond the control of the Council and have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs, reduction in grant income and the impact of the HRA determinations which are set annually by Central Government; and
- The 'Zero base budgeting' review of income levels.

and are summarised in **Appendix F2**.

## Proposals

The proposed policy changes for inclusion in the base budget for the next 5 years are detailed at **Appendix C** and are highlighted below:

Item No	Policy Changes Identified	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
HRA1	Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy	3.50	-	-	-	-
HRA2	Condition Survey of structural parts of high-rise blocks - £75k every 5 years(HRA Revenue)	75.00	(75.00)	-	-	-
HRA3	Condition Survey of Non-Traditional Properties - £50k every 5 years (HRA Revenue)	50.00	(50.00)	-	-	-
HRA4	Condition Survey of Housing Stock - £60k every 5 years (HRA Revenue)	60.00	(60.00)	-	-	-
HRA5	Financial modelling toolkit - £5k per annum (GF & HRA Revenue)	2.50	-	-	-	-
HRA6	Cleaning Services Review	(4.00)	-	-	-	-
HRA7	Fire Safety in High Rise Residential Buildings in response to the Governments proposals around 'Building a Safer Future'. • Software to manage fire safety surveys £90k year one (Capital) + £5k pa license	5.00	-	-	-	-
HRA8	• Detailed Measured Surveys & 3D building Scans	140.00	(140.00)	-	-	-
HRA9	• Type 4 Fire Risk Assessments £65k every 3 years	65.00	(65.00)	-	65.00	(65.00)
HRA10	• Production of Building Fire Safety Manuals	70.00	(70.00)	-	-	-
HRA11	• Building Fire Safety Manager £40k per annum	40.00	-	-	-	-
HRA12	Housing Repairs - Call Handling Service	49.57	(9.49)	(27.31)	-	-
HRA13	Permanent full-time post 'Income Officer' within Neighbourhoods Rents Income Team	32.00	-	-	-	-
HRA14	Funding from Universal Credit Support Budget towards cost of Income Officer	(25.00)	-	-	-	-
HRA15	Retention of temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2021	32.00	(32.00)	-	-	-
HRA16	Former Tenancy Arrears Officer within Revenues to address the recovery of wide range of former arrears - initially until March 2021 / offset by income target	26.00 (26.00)	(26.00) 26.00	-	-	-
HRA17	Repairs and Investment Budgets	1228.06	-	-	-	-
HRA18	Review of Underspent Budgets and Contingencies	(62.69)	-	-	-	-
HRA19	Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020	(27.05)	(0.83)	(0.78)	28.66	-
HRA20	Revenue Contribution to Capital	-	-	-	-	400.00
	<b>Total New Items / Amendments</b>	<b>1,733.89</b>	<b>(502.32)</b>	<b>(28.09)</b>	<b>93.66</b>	<b>335.00</b>
	<b>Cumulative</b>	<b>1,733.89</b>	<b>1,231.57</b>	<b>1,203.48</b>	<b>1,297.14</b>	<b>1,632.14</b>

The proposals will mean that balances will remain above the approved minimum level of £0.5m over the 5 year period.

<b>HRA Summary</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
<b>Estimated Net (Surplus) / Deficit</b>	<b>(429)</b>	<b>(892)</b>	121	<b>(1,294)</b>	<b>(1,487)</b>
Proposed Policy Changes / Additional Costs Identified	1,734	1,232	1,203	1,297	1,632
Final Inflationary / recharge Adjustments (after Policy Changes inclusion)	33	71	103	136	171
<b>Surplus (-) / Deficit</b>	<b>1,338</b>	<b>411</b>	<b>1,427</b>	<b>139</b>	<b>316</b>
Balances Remaining (-) / Overdrawn	<b>(3,424)</b>	<b>(3,013)</b>	<b>(1,586)</b>	<b>(1,447)</b>	<b>(1,131)</b>
Per Council, 27 <sup>th</sup> February 2018	<b>(3,227)</b>	<b>(3,168)</b>	<b>(2,057)</b>	<b>(2,326)</b>	-

Indicating a Housing Revenue Account (HRA) balances of £1.1m over the next 5 years (Minimum recommended balances are currently £0.5m).

## **Rent Setting Policy**

The introduction of rent restructuring in April 2003 required the Council to calculate rents in accordance with a formula on a property by property basis and account separately for rental payments and payments which are for services (for example grounds maintenance, upkeep of communal areas, caretaking) within the total amounts charged. This framework removed the flexibility to independently set rent levels from Social Landlords and replaced it with a fixed formula (RPI plus 0.5% plus £2.00) based on the value of the property and local incomes.

The aim of the framework was to ensure that by a pre-set date all social landlord rents have reached a 'target rent' for each property that will reflect the quality of accommodation and levels of local earnings. In achieving this target rent councils were also annually set a "limit rent" which restricted the level of rent increase in any one year.

From 2015/16, Councils could decide locally at what level to increase rents. Government Guidance suggested an increase of CPI plus 1%, however, the Council agreed to vary this level, and applied the formula CPI plus 1% plus £2 (capped at formula rent) **for 2015/16 only**, to generate additional funding to support increased maintenance costs and the regeneration of key housing areas within the Borough.

Under Benefit regulations and circulars issued by the DWP, the Rent Rebate Subsidy Limitation scheme penalises the Council should the average rent be above the notified limit rent.

The effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 means that rents have been reduced by 1% a year for the four years from 2016/17.

The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard.

On 30<sup>th</sup> November 2017, Cabinet considered and approved amendments to the Council's Rent Setting Policy to include arrangements to charge affordable rents on new and affordable housing. The policy provides a framework within which Tamworth Borough Council will set rents and service charges and draws on the Department for Communities and Local Government Guidance on Rent Setting for Social Housing.

In setting the rent setting policy the Council had full regard to legislation, regulations and associated rent setting guidance including the Welfare Reform and Work Act 2016 which gave effect to the Government's 1% rent reduction for four years up to 2020/2021. For 2020/21 (and in the medium term), rents will be set in line with the approved policy including a general increase of the consumer price index (CPI) measure of inflation of plus 1% - equating to a 2.7% increase.

The following options have been modelled:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£
<b>Option 1: CPI + 1%</b>						
Rent (52 Weeks)	79.03	81.17	83.60	86.11	88.69	91.36
Rent (48 Weeks)	85.62	87.93	90.57	93.29	96.09	98.97
% Increase		2.70%	3.00%	3.00%	3.00%	3.00%
<b>Option 2: CPI</b>						
Rent (52 Weeks)	79.03	80.38	81.98	83.62	85.30	87.00
Rent (48 Weeks)	85.62	87.08	88.82	90.59	92.41	94.25
% Increase		1.70%	2.00%	2.00%	2.00%	2.00%
<b>Reduced Rent compared to Option 1</b>		<b>177,200</b>	<b>364,140</b>	<b>556,670</b>	<b>756,580</b>	<b>964,100</b>
				<b>5 year impact</b>		<b>2,818,690</b>
<b>Option 3: No increase</b>						
Rent (52 Weeks)	79.03	79.03	79.03	79.03	79.03	79.03
Rent (48 Weeks)	85.62	85.62	85.62	85.62	85.62	85.62
% Increase		0%	0%	0%	0%	0%
<b>Reduced Rent compared to Option 1</b>		<b>478,440</b>	<b>1,028,390</b>	<b>1,584,550</b>	<b>2,151,530</b>	<b>2,729,540</b>
				<b>5 year impact</b>		<b>7,972,450</b>
Inflation at CPI + 1%	<b>-1.00%</b>	2.70%	3.00%	3.00%	3.00%	3.00%

## Balances

The forecast level of balances at 31<sup>st</sup> March 2020 is £4.8m. The impact on balances of the adjustments outlined in this report would be as follows:

<b>Balances</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
Proposed Withdrawal from / Addition to (-) Balances	1,338	411	1,427	139	316
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,424)</b>	<b>(3,013)</b>	<b>(1,586)</b>	<b>(1,447)</b>	<b>(1,131)</b>

This would mean that closing balances, over the 5 year period, would be over the approved minimum level of £0.5m.

The analysis at **Appendix D** details the overall Housing Revenue Account budget resulting from the recommendations contained within this report.

## **CORPORATE CAPITAL STRATEGY 2020/21 to 2024/25**

The Council has an ongoing capital programme of over £50m for 2019/20 and an asset base valued at £236m (as at 31<sup>st</sup> March 2019).

The strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

This Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

Equally, the availability of prudential borrowing means that capital and revenue solutions to service delivery can be considered, and ranked, alongside each other as part of an integrated revenue and capital financial strategy.

The Capital Strategy further sets out the Council's approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level. It describes how the Council has responded to the opportunities provided by prudential borrowing and other new sources of finance.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The estimated financial implications, both capital and revenue;
- The expected outputs, outcomes and contribution to corporate objectives;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Any impacts on efficiency and value for money;
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of the contribution to the Council's Corporate Objectives and compliance with the Corporate Capital Strategy requirements of:
  1. Invest to save
  2. Maintenance of services and assets
  3. Protection of income streams
  4. Avoidance of cost.

The current de-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

Corporate Management Team and Service Managers identify the potential need for capital investment. This will take account of issues including the condition of council owned assets (including reference to the council's Asset Management Plan), health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.

The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

Following a review of the Capital Programme approved by Council on 26<sup>th</sup> February 2019, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix I – General Fund (GF) and Appendix J – Housing (HRA)**, together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£35k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2020/21 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with initial comments & suggestions for each of the schemes outlined within the Strategy.

### **General Fund Capital**

A significant increase in net funding has been proposed which means that insufficient resources are available to finance all of the GF schemes submitted therefore, should the schemes progress either:

- 1) the Council would need to use supported borrowing to fund the shortfall – funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2 to 3% p.a. plus debt repayment costs of 4% p.a. (based on a 25 year asset life); or
- 2) the potential use of part of the capital receipt from the Golf Course sale – which would mean the resources would no longer be available for investment through the Commercial Investment Strategy projects (and therefore impact on the revenue account through loss of potential investment income at c.4% p.a.); or
- 3) Fund the spend from revenue through a direct contribution to the capital programme.

The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean over **£2.7m in borrowing would be needed (or use of the capital receipt) over the next 5 years (£1.8m over 3 years, £2.3m over 4 years)**. The provisionally approved programme assumed borrowing of £1m over 3 years (£1.8m over the 4 years to 2023/24).

### **Housing Capital**

The proposed 5 year Housing Capital Programme is attached at **Appendix I**.

The majority of the Housing capital programme has not changed from that provisionally approved – however a number of new schemes have been proposed. It has also been updated to include the new year 5 costs for 2024/25 (at the same level as 2023/24).



The current proposals require an additional revenue contribution of £0.4m.

It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £68.041m (as at 31<sup>st</sup> March 2019) with planned borrowing of £7.214m relating to the Tinkers Green and Kerria Regeneration projects. Due to receipt of Homes England grant of c.£5m, it is likely that this planned borrowing will be reduced to c.£2m.

The programme includes plans to fund the development or acquisition of new dwellings to utilise all of the 1 for 1 capital receipts to avoid potential repayment (funding 30% of the total cost) with the balance representing the Council's 70% contribution.

## Policy Changes Summary

SERVICE AREA	Sheet No.	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	(4.37)	-	-
PEOPLE	2	133.45	-	(147.40)
OPERATIONS AND LEISURE	3	104.23	(62.25)	(31.00)
EXECUTIVE DIRECTOR FINANCE	4	-	-	-
FINANCE	5	560.88	(647.63)	14.09
EXECUTIVE DIRECTOR COMMUNITIES	6	-	-	-
NEIGHBOURHOODS	7	(327.43)	337.93	-
PARTNERSHIPS	8	(4.19)	-	-
ASSETS	9	212.08	(114.20)	0.90
CHIEF EXECUTIVE	10	137.41	36.70	388.95
GROWTH & REGENERATION	11	45.67	-	-
<b>TOTAL</b>		<b>857.73</b>	<b>(449.45)</b>	<b>225.54</b>
<b>Cumulative Cost / (Saving)</b>		<b>857.73</b>	<b>408.28</b>	<b>633.82</b>

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000
HOUSING REVENUE ACCOUNT	12	1,733.89	(502.32)	(28.09)	93.66	335.00
<b>TOTAL</b>		<b>1,733.89</b>	<b>(502.32)</b>	<b>(28.09)</b>	<b>93.66</b>	<b>335.00</b>
<b>Cumulative Cost / (Saving)</b>		<b>1,733.89</b>	<b>1,231.57</b>	<b>1,203.48</b>	<b>1,297.14</b>	<b>1,632.14</b>

## Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	-	-	-
PEOPLE	2	7.2	-	(6.2)
OPERATIONS AND LEISURE	3	3.0	-	-
EXECUTIVE DIRECTOR FINANCE	4	-	-	-
FINANCE	5	-	-	-
EXECUTIVE DIRECTOR COMMUNITIES	6	-	-	-
NEIGHBOURHOODS	7	1.0	-	-
PARTNERSHIPS	8	-	-	-
ASSETS	9	-	-	-
CHIEF EXECUTIVE	10	-	-	-
GROWTH & REGENERATION	11	-	-	-
<b>TOTAL</b>		<b>11.2</b>	<b>-</b>	<b>(6.2)</b>

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000
HOUSING REVENUE ACCOUNT	12	9.0	(2.0)	(1.0)	-	-
<b>TOTAL</b>		<b>9.0</b>	<b>(2.0)</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>

## EXECUTIVE DIRECTOR ORGANISATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
OR1	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(4.37)	-	-
<b>Total New Items / Amendments</b>			<b>(4.37)</b>	<b>-</b>	<b>-</b>

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
<b>TOTAL</b>			<b>-</b>	<b>-</b>	<b>-</b>

PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
PE1	To increase the number of Apprentice posts from 6 to 8 across the Council including Customer Services – Level 2 (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT)	<ul style="list-style-type: none"> <li>• To assist the council in achieving our apprentice target of 8 apprentices</li> <li>• To ensure that TBC makes best value of the apprentice levy funding</li> <li>• To support the organisational development strategy in terms of succession planning</li> <li>• To ensure consistent service delivery of the arboriculture team following retirement</li> <li>• To further enhance the digital marketing skills to embrace fast paced technological changes &amp; to move all web development work into ICT to give capacity to the current graphics for more marketing and branding activity.</li> </ul>	21.00	-	-
PE2	Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts (offset by one-off savings in 2019/20 of £65k)	When the temporary arrangement for CSA's was put in place it was anticipated that Delivering Quality Services (DQS) and the implementation of the customer portal would have concluded by April 2020 and as such savings of £100k would have been realised. DQS has paused over the last 12 months; however a position review and continuation is included in the 3 year Customer Service business plan along with further development of the customer portal	106.43	-	(106.43)

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
PE3	Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE. The 1.5 FTE is requested on a temporary basis to enable the customer demand to be captured post full launch of the venue in April 2020.	The creation of a Senior CSO role is to provide the line management of the staff working in the TIC in its permanent home at the Assembly Rooms; this role will be the interface between the Assembly Rooms management and the customer service function to ensure that service level agreements and standards are met. The new TIC service will enhance the customer service offer by extended opening with a presence until the interval of show performances 6 days a week and occasional Sunday opening to support major events in the town. The extended hours will also provide an enhanced opportunity for our customers as CS staff will be available to respond to enquiries via webchat and email in the key demand window of 5.00pm to 7.00pm	45.97	-	(40.97)
PE4	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(39.95)	-	-
<b>Total New Items / Amendments</b>			<b>133.45</b>	<b>-</b>	<b>(147.40)</b>

#### STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
PE1	To increase the number of Apprentice posts from 6 to 8 across the Council including Customer Services – Level 2 (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT)		1.00	-	-
PE2	Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts (offset by one-off savings in 2019/20 of £65k)		4.68	-	(4.68)
PE3	Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE. The 1.5 FTE is requested on a temporary basis to enable the customer demand to be captured post full launch of the venue in April 2020.		1.50	-	(1.50)
<b>TOTAL</b>			<b>7.18</b>	<b>-</b>	<b>(6.18)</b>

## OPERATIONS AND LEISURE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21	21/22	22/23
			£'000	£'000	£'000
OPS1	Reinstated funding from SCC re highway verge mowing	In 2018/19 SCC decided to withdraw budget to TBC to deliver the cutting of their highway grass verges, consequently the budget of £96,240 staffing costs together with the £128,320 income were removed from the budget for 2020/21. SCC have not yet fully completed their review of highway verge mowing cutting throughout the county, but have indicated that they wish the borough to continue undertaking the grass cutting, whereas previously they had indicated that this service may cease	(128.32)	-	-
OPS2	Increase in staffing and equipment to reflect reinstated SCC funding		96.24	-	-
OPS3	Assembly Rooms	Additional costs from latest projections of Assembly Rooms costs and income	124.50	(62.25)	(31.00)
OPS4	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(11.65)	-	-
OPS5	Cleaning Services Review	Effect on operation and Leisure budgets	2.46	-	-
OPS6	To increase the number of Apprentice posts from 6 to 8 across the Council including Street Scene – Level 2 Arboriculture (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT)	<ul style="list-style-type: none"> <li>• To assist the council in achieving our apprentice target of 8 apprentices</li> <li>• To ensure that TBC makes best value of the apprentice levy funding</li> <li>• To support the organisational development strategy in terms of succession planning</li> <li>• To ensure consistent service delivery of the arboriculture team following retirement</li> <li>• To further enhance the digital marketing skills to embrace fast paced technological changes &amp; to move all web development work into ICT to give capacity to the current graphics for more marketing and branding activity.</li> </ul>	21.00	-	-
<b>Total New Items / Amendments</b>			<b>104.23</b>	<b>(62.25)</b>	<b>(31.00)</b>

<b>STAFFING IMPLICATIONS</b>					
<b>Item No</b>	<b>Proposal/(Existing Budget)</b>	<b>Implications</b>	<b>20/21 FTE</b>	<b>21/22 FTE</b>	<b>22/23 FTE</b>
<b>OPS2</b>	Increase in staffing and equipment to reflect reinstated SCC funding		2.00	-	-
<b>OPS6</b>	To increase the number of Apprentice posts from 6 to 8 across the Council including Street Scene – Level 2 Arboriculture (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT)		1.00	-	-
	<b>TOTAL</b>		<b>3.00</b>	-	-





## FINANCE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
FIN1	Reduced contingency budget	Provision for reduced income reduced following proposed increase to Assembly Rooms budgets	(200.00)	105.00	-
FIN2	Revised New Homes Bonus	Updated NHB grant notification following confirmation of 0.4% 'deadweight'	(35.56)	33.98	0.63
FIN3	Revenue Implications of Capital Programme	Cost of unsupported borrowing / lost investment income (2.5%) - should all proposed schemes progress	20.00	19.00	6.00
FIN4	Revenue Implications of Capital Programme	Repayment of debt (4%) - should all proposed schemes progress	32.00	30.00	10.00
FIN5	Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020	Option to freeze pension lump sum payment for 3 years and pay 3 years pension lump sum in advance in April 2020 (£183k saving)	(88.47)	(2.70)	(2.54)
FIN6	Revised Business Rates Levy payment	Estimated levy based on NNDR1 forecasts	(284.93)	284.93	-
FIN7	Revised Business Rates Section 31 Grant Income	New Burdens funding for Government scheme to reduce business rates charges	12.84	(12.84)	-
FIN8	Contribution to Transformation Reserve	In light of the current economic uncertainty, it is considered prudent to set aside monies to support the MTFS	1,000.00	(1,000.00)	-
FIN9	Climate Emergency Initiatives	At its meeting on 19th November 2019, Tamworth Borough Council declared a Climate Emergency together with specific actions the Council will take to address this emergency (minute 18 refers)	105.00	(105.00)	-
<b>Total New Items / Amendments</b>			<b>560.88</b>	<b>(647.63)</b>	<b>14.09</b>

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
	<b>TOTAL</b>		-	-	-



## NEIGHBOURHOODS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21	21/22	22/23
			£'000	£'000	£'000
NEI1	To permanently appoint the Housing Solutions Review Officer	When the HRA was implemented in 2018, it was anticipated that the requirements would generate more challenge through more opportunities to request (multiple) reviews. Consequently this would weaken the overall capacity to effectively manage the service in a challenging period. As such a temporary review officer was appointed for 2 years.	35.50	-	-
NEI2		Use of flexible homelessness support grant to part fund the post on an ongoing	(15.00)	-	-
NEI3	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(10.00)	-	-
NEI4	Revised CCTV costs	Saving as costs associated with the change in service provision will be met in 2019/20 (from the Transformation reserve)	(337.93)	337.93	-
<b>Total New Items / Amendments</b>			<b>(327.43)</b>	<b>337.93</b>	<b>-</b>

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
NEI1	To permanently appoint the Housing Solutions Review Officer		1.0	-	-
<b>TOTAL</b>			<b>1.0</b>	<b>-</b>	<b>-</b>

**PARTNERSHIPS**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
PAR1	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(4.19)	-	-
<b>Total New Items / Amendments</b>			<b>(4.19)</b>	<b>-</b>	<b>-</b>

**STAFFING IMPLICATIONS**

Item No	Proposal/(Existing Budget)	Implications	20/21 FTE	21/22 FTE	22/23 FTE
	<b>TOTAL</b>		-	-	-

## ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21	21/22	22/23
			£'000	£'000	£'000
<b>AST1</b>	Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy.	Asset management Database - £150k one off + £7k annual license (GF & HRA Capital)	3.50	-	-
<b>AST2</b>	Condition survey of Corporate/Commercial & Industrial properties - £100k every 10 years (GF Revenue)	In order to accurately assess the long-term performance and investment requirements of its built assets the Council needs to update its Asset Management Strategy. To support this process the Council needs to understand the current condition of its assets along with current and future investment requirements. Without accurate data it is not possible to accurately determine investment requirements or to determine the future financial viability of built assets. At present the Council holds very limited condition data on its non-housing assets and the information that is held has not been refreshed in a number of years. Repairs and investment budgets are currently set based on available funds as opposed to the investment requirements. Collecting accurate data and holding it a database which is updated regularly combined with financial modelling of performance data will allow the Council to make informed decisions on the future of its assets	100.00	(100.00)	-
<b>AST3</b>	Financial modelling toolkit - £5k per annum (GF & HRA Revenue)	A financial modelling toolkit will allow the Council to model its asset investments for new build, regeneration, refurbishment and disposal. This will ensure that decisions are made using an agreed and standardised financial model.	2.50	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21	21/22	22/23
			£'000	£'000	£'000
AST4	Cleaning Services Review	The restructure proposed in the report to Cabinet on 15 August 2019 is based on the continued delivery of the Councils service to Tenants and Leaseholders and will ensure quality and service is maintained which further places the organisation in a positive position to maintain and improve the quality of future service provision. The primary purpose of the review is to ensure that the service is being delivered in the most cost effective and efficient manner and is fit for purpose going forward. At the end of the review there will be a platform for the development of clearly defined service standards across both the housing and corporate property portfolios. This will lead to a clearly defined service offer that can be communicated to tenants, building occupiers and staff.	50.36	-	-
AST5	Cleaning Costs have changed since the Cabinet Report due to a requirement to provide additional cleaning services with the Assembly Rooms which were not known at the time of the Cabinet Report. Additional Cleaning duties are also required for the Town Centre Public Conveniences.	£17,812 GF, Additional Cleaning services at Assembly Rooms linked to use and occupation £4,157 GF, Additional Cleaning services to Castle linked to use and occupation £4,157 GF, Additional costs of cleaning Castle Grounds Toilets for 365 days per annum. £3,010 additional costs associated with provision of Mobile Phones (lone working) and PPE for staff	7.23	-	-
AST6	Saving in contract cleaning budgets	Associated saving in budgets no longer required following Cleaning Review	(10.51)	-	-
AST7	Marmion House Accommodation	Reduced income from accommodation rents / service charges	55.30	0.80	0.90
AST8	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(14.30)	-	-
AST9	AccessAble access guides with accessible information for disabled people, carers, wheelchair users	Initial surveys & website preparation for Council properties and ongoing subscription	18.00	(15.00)	-
<b>Total New Items / Amendments</b>			<b>212.08</b>	<b>(114.20)</b>	<b>0.90</b>

<b>STAFFING IMPLICATIONS</b>					
<b>Item No</b>	<b>Proposal/(Existing Budget)</b>	<b>Implications</b>	<b>20/21 FTE</b>	<b>21/22 FTE</b>	<b>22/23 FTE</b>
<b>AST5</b>	Cleaning Services Review		<b>TBA</b>	-	-
	<b>TOTAL</b>		-	-	-



## CHIEF EXECUTIVE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000
A&G1	Review of Elections budgets from a zero-base, factoring in the known schedule of elections and ability to run joint elections/claim a share of costs from SCC/Govt/OPCC where appropriate, the following budget adjustments are requested.	Overtime	3.0	-	-
		Rents	(10.00)	(5.00)	5.00
		Casual Travel	0.50	-	-
		Software Support Licences	1.80	3.00	(3.00)
		Printing & Stationery	3.50	(6.00)	6.00
		Postage	6.30	(8.00)	8.00
		Election Staff	(3.70)	(47.00)	47.00
		Canvassers Fees	3.40	-	-
A&G2	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(3.09)	-	-
WM1	Potential Waste Management cost increases	Potential increases in Waste Management costs following 2019 budget review and Resources & Waste Strategy implications from 2022	135.70	99.70	325.95
<b>Total New Items / Amendments</b>			<b>137.41</b>	<b>36.70</b>	<b>388.95</b>

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
<b>TOTAL</b>			-	-	-

**GROWTH & REGENERATION**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			20/21	21/22	22/23
			£'000	£'000	£'000
<b>G&amp;R1</b>	Reduction in the Planning Application Fees income budget to reflect the fact that income received in recent years has included a number of large schemes such as the Golf Course, Ashby Road, Dunstall Lane, etc, and future receipts are not expected to continue at the same level. That said, there is potential in future years for higher fee income associated with major planning applications in relation to town centre re development opportunities and also any future review of the Local Plan.	The resultant ongoing budget of £150k pa will more accurately reflect the level of planning application fees income likely to be received.	50.00	-	-
<b>G&amp;R2</b>	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(9.24)	-	-
<b>G&amp;R3</b>	Cleaning Services Review	Effect on Growth & Regeneration budgets	4.91	-	-
<b>Total New Items / Amendments</b>			<b>45.67</b>	<b>-</b>	<b>-</b>

**STAFFING IMPLICATIONS**

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23
			FTE	FTE	FTE
<b>TOTAL</b>			<b>-</b>	<b>-</b>	<b>-</b>

## HOUSING REVENUE ACCOUNT

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
HRA1	Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy.	Asset management Database - £150k one off + £7k annual license (GF & HRA Capital)	3.50	-	-	-	-
HRA2	Condition Survey of structural parts of high-rise blocks - £75k every 5 years(HRA Revenue)	Information on structural condition of non-traditional properties and high-rise blocks is important in ensuring tenant safety and for predicting long-term investment or regeneration requirements	75.00	(75.00)	-	-	-
HRA3	Condition Survey of Non-Traditional Properties - £50k every 5 years (HRA Revenue)	The special nature of the high-rise blocks and non-traditional housing stock means that it needs regular inspection that goes beyond the normal non-invasive survey work that is carried out on the bulk of the housing stock. This is likely to be more specialised in nature.	50.00	(50.00)	-	-	-
HRA4	Condition Survey of Housing Stock - £60k every 5 years (HRA Revenue)	In order to accurately assess the long-term performance and investment requirements of its built assets the Council needs to update its Asset Management Strategy. To support this process the Council needs to understand the current condition of its assets along with current and future investment requirements. Without accurate data it is not possible to accurately determine investment requirements or to determine the future financial viability of built assets.	60.00	(60.00)	-	-	-
HRA5	Financial modelling toolkit - £5k per annum (GF & HRA Revenue)	A financial modelling toolkit will allow the Council to model its asset investments for new build, regeneration, refurbishment and disposal. This will ensure that decisions are made using an agreed and standardised financial model.	2.50	-	-	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
HRA6	Cleaning Services Review	The restructure proposed in the report to Cabinet on 15 August 2019 is based on the continued delivery of the Councils service to Tenants and Leaseholders and will ensure quality and service is maintained which further places the organisation in a positive position to maintain and improve the quality of future service provision. The primary purpose of the review is to ensure that the service is being delivered in the most cost effective and efficient manner and is fit for purpose going forward. At the end of the review there will be a platform for the development of clearly defined service standards across both the housing and corporate property portfolios. This will lead to a clearly defined service offer that can be communicated to tenants, building occupiers and staff. This goes much further than current legislation relating to fire safety in buildings and is much more prescriptive than the current legislation. This will consist of:- • Software to manage fire safety surveys £90k year one (Capital) + £5k every year for license	(4.00)	-	-	-	-
HRA7	Fire Safety in High Rise Residential Buildings in response to the Governments proposals around 'Building a Safer Future'. This is a direct response to the 'Building a safer future' legislation being introduced by the Government	• Detailed Measured Surveys & 3D building Scans £140k (one off)	5.00	-	-	-	-
HRA8		• Type 4 Fire Risk Assessments £65k every 3 years	140.00	(140.00)	-	-	-
HRA9		• Production of Building Fire Safety Manuals £70k (one off)	65.00	(65.00)	-	65.00	(65.00)
HRA10		• Building Fire Safety Manager £40k per annum	70.00	(70.00)	-	-	-
HRA11		Additional Costs associated with in house provision	40.00	-	-	-	-
HRA12	Housing Repairs - Call Handling Service	This permanent 'Income Officer' will address the recovery of the Council's HRA current rent arrears, as with the move to full service universal credit since November 2017 has resulted in a significant increase in work load for the rent income team	49.57	(9.49)	(27.31)	-	-
HRA13	Permanent full-time post 'Income Officer' within HRA Neighbourhoods Rents Income Team	Funding from Universal Credit Support Budget towards cost of Income Officer	32.00	-	-	-	-
HRA14		This 'Resident Support Worker' is there to provide building management to this medium rise block of flats as well as low level resident support with the aim of making this a safe place to live	(25.00)	-	-	-	-
HRA15	Retention of temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2021		32.00	(32.00)	-	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000
HRA16	Former Tenancy Arrears Officer within Revenues to address the recovery of HRA's wide range of former arrears - initially until March 2021 subject to review/impact assessment	To address the recovery of the Council's HRA former arrears including former rent arrears, garage arrears, recharges, sundry debts, supporting people, service charges etc. Income target associated with above	26.00	(26.00)	-	-	-
HRA17	Repairs and Investment Budgets	Updated budgets following tender exercise	(26.00)	26.00	-	-	-
HRA18	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	1,228.06	-	-	-	-
HRA19	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(62.69)	-	-	-	-
HRA19	Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020	Option to freeze pension lump sum payment for 3 years and pay 3 years pension lump sum in advance in April 2020 (£183k saving)	(27.05)	(0.83)	(0.78)	28.66	-
HRA20	Revenue Contribution to Capital	Additional revenue contribution required to fund capital programme	-	-	-	-	400.00
<b>Total New Items / Amendments</b>			<b>1,733.89</b>	<b>(502.32)</b>	<b>(28.09)</b>	<b>93.66</b>	<b>335.00</b>

#### STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	20/21	21/22	22/23	23/24	24/25
			FTE	FTE	FTE	FTE	FTE
HRA6	Cleaning Services Review		TBA	-	-	-	-
HRA11	• Building Fire Safety Manager £40k per annum		1.00				
HRA12	Housing Repairs - Call Handling Service	1 x FTE Senior Customer Service Officer plus Essential Car Users allowance £1239.00 3 x FTE Customer Service Officer Grade D 1 x FTE Customer Service Officer Grade D Temporary for 2 years	5.00	-	(1.00)	-	-
HRA13	Permanent full-time post `Income Officer` within HRA Neighbourhoods Rents Income Team		1.00	-	-	-	-
HRA15	Retention of temporary post `Resident Support Worker` at Eringden Block for a further year until March 2021		1.00	(1.00)	-	-	-
HRA16	Former Tenancy Arrears Officer within Revenues to address the recovery of HRA's wide range of former arrears - initially until March 2021 subject to review/impact assessment		1.00	(1.00)	-	-	-
<b>TOTAL</b>			<b>9.00</b>	<b>(2.00)</b>	<b>(1.00)</b>	<b>-</b>	<b>-</b>

## HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2020/21

	Base Budget 2019/20	Technical Adjustments	Policy Changes	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
	£	£	£	£	£	£	£	£
<b>Income</b>								
Dwelling Rents	(17,444,290)	(754,570)	-	(18,198,860)	(18,817,680)	(19,280,280)	(19,753,690)	(20,238,150)
Non-Dwelling Rents	(398,470)	(1,970)	-	(400,440)	(409,960)	(419,720)	(429,720)	(439,970)
Charges for Services and Facilities	(793,990)	(44,010)	-	(838,000)	(852,790)	(867,890)	(883,700)	(895,560)
Contributions Towards Expenditure	(1,424,550)	(75,550)	-	(1,500,100)	(1,500,860)	(1,501,630)	(1,502,430)	(1,503,250)
<b>Subtotal</b>	<b>(20,061,300)</b>	<b>(876,100)</b>	<b>-</b>	<b>(20,937,400)</b>	<b>(21,581,290)</b>	<b>(22,069,520)</b>	<b>(22,569,540)</b>	<b>(23,076,930)</b>
<b>Expenditure</b>								
Repairs and Maintenance	4,003,570	(47,600)	1,597,630	5,553,600	5,418,730	6,795,500	5,786,510	5,877,560
Supervision and Management	6,092,870	363,690	167,260	6,623,820	6,447,650	6,536,900	6,728,710	6,890,120
Rents, Rates, Taxes and Other Charges	37,800	760	(5,000)	33,560	34,140	34,740	35,350	35,960
Increase in Provision for Bad Debts	200,000	(12,300)	(26,000)	161,700	210,000	234,900	262,700	293,900
Depreciation and impairment of non-current assets	2,804,730	56,200	-	2,860,930	2,860,930	2,860,930	2,860,930	2,860,930
Debt Management Costs	25,880	270	-	26,150	26,580	26,980	26,980	26,980
<b>Subtotal</b>	<b>13,164,850</b>	<b>361,020</b>	<b>1,733,890</b>	<b>15,259,760</b>	<b>14,998,030</b>	<b>16,489,950</b>	<b>15,701,180</b>	<b>15,985,450</b>
<b>Net cost of HRA Services per Authority I&amp;E</b>	<b>(6,896,450)</b>	<b>(515,080)</b>	<b>1,733,890</b>	<b>(5,677,640)</b>	<b>(6,583,260)</b>	<b>(5,579,570)</b>	<b>(6,868,360)</b>	<b>(7,091,480)</b>
Corporate and Democratic Core	13,110	3,060	-	16,170	16,570	16,980	17,400	17,840
<b>Net Cost of HRA Services</b>	<b>(6,883,340)</b>	<b>(512,020)</b>	<b>1,733,890</b>	<b>(5,661,470)</b>	<b>(6,566,690)</b>	<b>(5,562,590)</b>	<b>(6,850,960)</b>	<b>(7,073,640)</b>
Interest Payable and Similar Charges	2,688,800	56,630	-	2,745,430	2,745,430	2,745,430	2,745,430	2,745,430
Interest Receivable and Similar Income	(151,130)	(56,340)	-	(207,470)	(229,220)	(215,920)	(215,920)	(215,920)
<b>Surplus/ Deficit for the year</b>	<b>(4,345,670)</b>	<b>(511,730)</b>	<b>1,733,890</b>	<b>(3,123,510)</b>	<b>(4,050,480)</b>	<b>(3,033,080)</b>	<b>(4,321,450)</b>	<b>(4,544,130)</b>

## Statement of Movement on the HRA Balance

<b>Surplus or Deficit for the year</b>	<b>(4,345,670)</b>	<b>(511,730)</b>	<b>1,733,890</b>	<b>(3,123,510)</b>	<b>(4,050,480)</b>	<b>(3,033,080)</b>	<b>(4,321,450)</b>	<b>(4,544,130)</b>
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	4,460,720	-	-	4,460,720	4,460,720	4,460,720	4,460,720	4,860,720
<b>(Increase)/ Decrease in HRA Balances</b>	<b>115,050</b>	<b>(511,730)</b>	<b>1,733,890</b>	<b>1,337,210</b>	<b>410,240</b>	<b>1,427,640</b>	<b>139,270</b>	<b>316,590</b>

## General Fund Summary Revenue Budget for 2020/21

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2019/20</b> £	<b>Technical Adjustments</b> £	<b>Policy Changes</b> £	<b>Budget 2020/21</b> £
Chief Executive	1,488,840	13,430	137,410	1,639,680
AD Growth & Regeneration	1,072,430	116,050	45,670	1,234,150
ED Organisation	400,310	37,400	(4,370)	433,340
AD People	1,732,680	137,740	133,450	2,003,870
AD Operations & Leisure	2,216,180	17,950	104,230	2,338,360
ED Finance	84,050	740	-	84,790
AD Finance	831,000	(1,512,480)	560,880	(120,600)
AD Assets	(725,280)	44,940	212,080	(468,260)
AD Neighbourhoods	1,222,430	249,420	(327,430)	1,144,420
AD Partnerships	1,080,770	(212,930)	(4,190)	863,650
<b>Total Cost of Services</b>	<b>9,403,410</b>	<b>(1,107,740)</b>	<b>857,730</b>	<b>9,153,400</b>
Transfer to / (from) Balances	(1,408,174)	333,602	-	(1,074,572)
Revenue Support Grant	-	(187,535)	-	(187,535)
Retained Business Rates	(13,385,014)	(443,828)	-	(13,828,842)
Less: Tariff payable	10,054,485	351,356	-	10,405,841
Collection Fund Surplus (Council Tax)	(62,517)	(14,822)	-	(77,339)
Collection Fund Surplus (Business Rates)	(752,887)	430,268	-	(322,619)
<b>Council Tax Requirement</b>	<b>(3,849,303)</b>	<b>638,699</b>	<b>(857,730)</b>	<b>(4,068,334)</b>

## General Fund – Technical Adjustments 2020/21 (before policy changes)

	Budget 2019/20	Technical Adjustments						Total Adjusted Base 2020/21	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £		Total Adjustments £
Chief Executive	1,488,840	19,630	(4,160)	(5,170)	60	19,730	-	30,090	1,518,930
AD Growth & Regeneration	1,072,430	18,190	32,600	(8,100)	5,820	22,070	-	70,580	1,143,010
ED Organisation	400,310	(9,510)	(2,470)	8,350	(1,470)	23,210	-	18,110	418,420
AD People	1,732,680	132,790	(72,210)	16,210	10,290	25,500	-	112,580	1,845,260
AD Operations & Leisure	2,216,180	(111,880)	(63,700)	8,320	(97,850)	287,270	-	22,160	2,238,340
ED Finance	84,050	-	(670)	120	-	2,800	-	2,250	86,300
AD Finance	831,000	(42,130)	(476,590)	(8,580)	(1,043,010)	37,190	-	(1,533,120)	(702,120)
ED Communities	-	-	-	-	-	-	-	-	-
AD Assets	(725,280)	4,460	(2,180)	13,290	4,520	6,040	-	26,130	(699,150)
AD Neighbourhoods	1,222,430	151,060	99,360	1,500	(9,860)	56,620	-	298,680	1,521,110
AD Partnerships	1,080,770	(162,610)	(26,760)	(2,590)	(45,370)	53,630	-	(183,700)	897,070
<b>Grand Total</b>	<b>9,403,410</b>	<b>-</b>	<b>(516,780)</b>	<b>23,350</b>	<b>(1,176,870)</b>	<b>534,060</b>	<b>-</b>	<b>(1,136,240)</b>	<b>8,267,170</b>

\* Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.



## HRA Technical Adjustments – 2020/21 (before policy changes)

	Budget 2019/20	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2020/21
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £		
HRA Summary	(3,927,650)	143,720	50,000	91,660	(728,780)	-	-	(443,400)	(4,371,050)
ED Communities	21,900	-	(750)	50	-	2,800	-	2,100	24,000
AD Operations & Leisure	143,080	140	(1,310)	260	(110)	2,230	-	1,210	144,290
AD Assets	289,640	36,400	(3,380)	2,720	6,860	15,100	-	57,700	347,340
AD Neighbourhoods	3,588,080	(180,260)	13,080	30,330	(22,240)	(3,030)	-	(162,120)	3,425,960
Housing Repairs	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>115,050</b>	<b>-</b>	<b>57,640</b>	<b>125,020</b>	<b>(744,270)</b>	<b>17,100</b>	<b>-</b>	<b>(544,510)</b>	<b>(429,460)</b>

\* Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.

## General Fund 3 Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2019/20</b> £	<b>Budget 2020/21</b> £	<b>Budget 2021/22</b> £	<b>Budget 2022/23</b> £
Chief Executive	1,488,840	1,639,680	1,703,460	2,116,110
AD Growth & Regeneration	1,072,430	1,234,150	1,132,310	1,113,210
ED Organisation	400,310	433,340	450,000	468,610
AD People	1,732,680	2,003,870	2,050,800	1,965,910
AD Operations & Leisure	2,216,180	2,338,360	2,336,160	2,379,160
ED Finance	84,050	84,790	86,990	89,840
AD Finance	831,000	(120,600)	(27,590)	(32,320)
AD Assets	(725,280)	(468,260)	(565,710)	(544,860)
AD Neighbourhoods	1,222,430	1,144,420	1,035,270	1,060,130
AD Partnerships	1,080,770	863,650	877,930	890,590
<b>Total Cost of Services</b>	<b>9,403,410</b>	<b>9,153,400</b>	<b>9,079,620</b>	<b>9,506,380</b>
Transfer to / (from) Balances	(1,408,174)	(1,074,572)	(2,431,124)	(2,633,100)
Revenue Support Grant	-	(187,535)	-	-
Retained Business Rates	(13,385,014)	(13,828,842)	(15,403,818)	(15,704,865)
Less: Tariff payable	10,054,485	10,405,841	13,041,378	13,294,366
Collection Fund Surplus (Council Tax)	(62,517)	(77,339)	(33,000)	(33,000)
Collection Fund Surplus (Business Rates)	(752,887)	(322,619)	-	-
<b>Council Tax Requirement</b>	<b>(3,849,303)</b>	<b>(4,068,334)</b>	<b>(4,253,056)</b>	<b>(4,429,781)</b>

## Appendix H

### Council Tax levels at each band for 2020/21

Authority:	Tamworth Borough Council Tax 2019/20	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Staffordshire Commissioner Fire and Rescue Authority	<b>Total 2020/21</b>	Total Council Tax 2019/20
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		4,068,334	28,986,514	5,034,588	1,727,627	<b>39,817,063</b>	
Council Tax Band							
A	117.93	121.26	863.97	150.06	51.49	<b>1,186.78</b>	1,143.61
B	137.58	141.47	1,007.96	175.07	60.08	<b>1,384.58</b>	1,334.21
C	157.24	161.68	1,151.96	200.08	68.66	<b>1,582.38</b>	1,524.82
<b>D</b>	<b>176.89</b>	<b>181.89</b>	<b>1,295.95</b>	<b>225.09</b>	<b>77.24</b>	<b>1,780.17</b>	<b>1,715.41</b>
E	216.20	222.31	1,583.94	275.11	94.40	<b>2,175.76</b>	2,096.61
F	255.51	262.73	1,871.93	325.13	111.57	<b>2,571.36</b>	2,477.82
G	294.82	303.15	2,159.92	375.15	128.73	<b>2,966.95</b>	2,859.02
H	353.78	363.78	2,591.90	450.18	154.48	<b>3,560.34</b>	3,430.82
% increase	2.99%	2.83%	3.99%	3.94%	1.99%	3.78%	4.07%

\*  
Staffordshire County Council Cabinet 29<sup>th</sup> January 2020, Strategic Plan and Medium Term Financial Strategy 2020-2025 (County Council, 13<sup>th</sup> February 2020)

Staffordshire Police, Fire, and Crime Panel – 10<sup>th</sup> February 2020, Policing Budget Report for 2020/21 (including Medium Term Financial Strategy)

Staffordshire Police, Fire, and Crime Panel – 10<sup>th</sup> February 2020, Fire Revenue Budget (incl. MTFs and Precept)

## General Fund Capital Programme 2020/21 – 2024/25

<b>General Fund Capital Programme</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>Total £</b>
Gateways	190,000	-	-	-	-	<b>190,000</b>
Technology Replacement	60,000	60,000	60,000	60,000	60,000	<b>300,000</b>
Member Device Refresh	20,000	-	-	-	-	<b>20,000</b>
Endpoint Protection and Web- Email Filter	40,000	-	-	40,000	-	<b>80,000</b>
Street Lighting	46,120	-	-	233,560	119,940	<b>399,620</b>
Replacement Castle Grounds Play Area	-	375,000	-	-	-	<b>375,000</b>
Private Sector Grants - Disabled Facilities Grants	650,000	650,000	650,000	650,000	650,000	<b>3,250,000</b>
Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	75,000	75,000	<b>375,000</b>
Major Repair to Castle Elevations	250,000	150,000	-	-	-	<b>400,000</b>
Asset Management Database	150,000	-	-	-	-	<b>150,000</b>
CCTV Upgrades	57,530	45,710	45,710	45,710	45,710	<b>240,370</b>
Castle Lighting	40,000	-	-	-	-	<b>40,000</b>
<b>Total General Fund Capital</b>	<b>1,578,650</b>	<b>1,355,710</b>	<b>830,710</b>	<b>1,104,270</b>	<b>950,650</b>	<b>5,819,990</b>
<b>Proposed Financing:</b>						
Grants - Disabled Facilities	400,000	400,000	400,000	400,000	400,000	<b>2,000,000</b>
Sale of Council House Receipts	191,120	175,000	155,000	150,000	160,000	<b>831,120</b>
Section 106 Receipts	90,000	-	-	-	-	<b>90,000</b>
Community Infrastructure Levy	30,000	-	-	-	-	<b>30,000</b>
Other Contributions	24,000	24,000	24,000	24,000	24,000	<b>120,000</b>
<b>Unsupported Borrowing</b>	<b>843,530</b>	<b>756,710</b>	<b>251,710</b>	<b>530,270</b>	<b>366,650</b>	<b>2,748,870</b>
<b>Total</b>	<b>1,578,650</b>	<b>1,355,710</b>	<b>830,710</b>	<b>1,104,270</b>	<b>950,650</b>	<b>5,819,990</b>

## Housing Capital Programme 2020/21 – 2024/25

<b><u>Housing Revenue Account</u></b> <b><u>Capital Programme</u></b>	<b>2020/21</b> <b>£</b>	<b>2021/22</b> <b>£</b>	<b>2022/23</b> <b>£</b>	<b>2023/24</b> <b>£</b>	<b>2024/25</b> <b>£</b>	<b>TOTAL</b> <b>£</b>
Structural Works	300,000	300,000	300,000	300,000	300,000	<b>1,500,000</b>
Bathroom Renewals	567,800	567,800	567,800	567,800	567,800	<b>2,839,000</b>
Gas Central Heating Upgrades and Renewals	685,500	685,500	685,500	988,400	988,400	<b>4,033,300</b>
Kitchen Renewals	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	<b>5,187,500</b>
Major Roofing Overhaul and Renewals	911,400	911,400	911,400	1,196,200	1,196,200	<b>5,126,600</b>
Window and Door Renewals	648,900	648,900	648,900	731,900	731,900	<b>3,410,500</b>
Neighbourhood Regeneration	749,100	749,100	749,100	749,100	749,100	<b>3,745,500</b>
Disabled Facilities Adaptations	212,500	212,500	212,500	212,500	212,500	<b>1,062,500</b>
Rewire	362,200	362,200	362,200	362,200	362,200	<b>1,811,000</b>
CO / Smoke Detectors	64,000	64,000	64,000	80,000	80,000	<b>352,000</b>
Insulation	17,900	17,900	17,900	17,900	17,900	<b>89,500</b>
Replacement of High Rise Soil Stacks	-	945,000	-	-	-	<b>945,000</b>
High Rise Lift Renewal	-	180,000	-	-	-	<b>180,000</b>
Sheltered Schemes	100,000	100,000	100,000	140,000	140,000	<b>580,000</b>
Energy Efficiency Improvements	70,000	70,000	70,000	70,000	70,000	<b>350,000</b>
Capital Salaries	200,000	200,000	200,000	200,000	200,000	<b>1,000,000</b>
Installation of Fire Doors To High Rise Blocks	1,460,000	-	-	-	-	<b>1,460,000</b>
Software to manage fire safety surveys	90,000	-	-	-	-	<b>90,000</b>
Street Lighting	69,180	-	-	350,330	179,910	<b>599,420</b>
Retention of Garage Sites	700,000	700,000	700,000	700,000	700,000	<b>3,500,000</b>
Regeneration and New Affordable Housing	2,000,000	1,750,000	1,750,000	1,750,000	1,750,000	<b>9,000,000</b>
<b>Total HRA Capital</b>	<b>10,245,980</b>	<b>9,501,800</b>	<b>8,376,800</b>	<b>9,453,830</b>	<b>9,283,410</b>	<b>46,861,820</b>
<b><u>Proposed Financing:</u></b>						
Major Repairs Reserve	2,894,730	3,004,730	2,816,170	2,804,730	2,805,000	<b>14,325,360</b>
HRA Capital Receipts	741,440	500,000	700,000	437,000	765,000	<b>3,143,440</b>
Revenue Contribution	5,665,630	4,917,070	3,330,630	3,689,100	3,938,500	<b>21,540,930</b>
Capital Receipts from Additional Council House Sales (1-4-1)	600,000	555,000	555,000	1,255,000	555,000	<b>3,520,000</b>
Regeneration Reserve	344,180	525,000	975,000	1,268,000	909,910	<b>4,022,090</b>
Other Grant Funding	-	-	-	-	310,000	<b>310,000</b>
<b>Total</b>	<b>10,245,980</b>	<b>9,501,800</b>	<b>8,376,800</b>	<b>9,453,830</b>	<b>9,283,410</b>	<b>46,861,820</b>

## Main Assumptions

Inflationary Factors	2020/21	2021/22	2022/23	2023/24	2024/25
Inflation Rate - Pay Awards	2.50%	2.50%	2.50%	2.50%	2.50%
National Insurance	9.50%	9.50%	9.50%	9.50%	9.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Rate (CPI)	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Rates	1.00%	1.00%	1.50%	1.50%	1.75%
Base Interest Rates	0.75%	1.00%	1.00%	1.50%	1.75%

1. While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1<sup>st</sup> January 2015. In addition, from April 2016, a new compulsory National Living Wage (NLW) for the over 25s was introduced to replace the National Minimum Wage. A further 1% pay cap for public sector workers for the 4 years from 2016/17 was set but following Government announcements regarding public sector pay this cap was lifted from 2018/19 with a 2% increase agreed. For 2019/20 a 2% increase was agreed and included the introduction of a new pay spine on 1<sup>st</sup> April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. A 2.5% p.a. increase from 2020/21 has been assumed.
2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
3. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
4. At this stage no changes to the level of recharges between funds has been included;
5. A reduction in Revenue Support Grant levels to zero from 2021/22 following the 4 year Local Government Finance Settlement & the one year deferral of the funding reforms.
6. Only continuation of the New Homes Bonus scheme legacy payments relating to 2017/18 and 2018/19 pending consultation on the future of the scheme;
7. Lower investment income returns due to delayed forecast interest rate increases;
8. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk 'capping' (confirmed as 3% or £5 for District Councils for 2019/20);

9. The major changes to the previously approved policy changes are included within this forecast – Assistant Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
10. Future Pension contribution levels – the results from the 2019 triennial review, carried out by the Actuary employed by the Pension Fund have been confirmed - indicative *ongoing* annual increases in Employer's contributions of c. £150k p.a. (1% p.a. increase) had been included from 2020/21 for 3 years (followed by increases of 2% p.a.). This includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a. Given the uncertain economic situation and arising from the Council's position in its participation in the Fund's contribution stability mechanism, the option to freeze contribution levels for 3 years has been communicated to the Pension Fund Actuary. This will lower costs in the short term and the actuary has confirmed it would not have an unsustainable impact on the pension fund. There will also be a saving of c.£183k in lump sum costs by making an advance payment of the 3 year costs in April 2020.
11. Increase in rent levels by CPI plus 1% - the Government has confirmed that social housing annual rent increases can rise by up to the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard. Current indications that sales of council houses will be approximately 30 per annum.
12. Forecasts have been informed by the Bank of England Inflation report (August 2019), HM Treasury – Forecasts for the UK Economy (August 2019), Office for Budget Responsibility Economic & Fiscal Outlook (March 2019). Any significant variances will be considered later in the budget setting process.

**Sensitivity Analysis (3 years)**

	Risk	Potential Budgetary Effect 2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Pay Award / National Insurance (GF)</b>				
Impact +/- 0.5% Variance £'000	L	43	88	134
Budget Impact over 1 year	L	43		
Budget Impact over 3 years	M	265		

**Pay Award / National Insurance (HRA)**

Impact +/- 0.5% Variance £'000	L	13	26	40
Budget Impact over 1 years	L	13		
Budget Impact over 3 years	L	79		

Subject to negotiation for Local Government pay (including any protection for low paid employees)

**Pension Costs**

Impact +/- 0.5% Variance £'000	L	0	0	0
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	0		

3 year agreement in place from 2020/21 - subject to stock market & membership changes

**Council Tax**

Impact on Council Tax income £'000		39	61	85
Budget Impact over 1 year	L	39		
Budget Impact over 3 years	L	185		

**Inflation / CPI**

Impact +/- 0.5% Variance £'000	L	49	100	158
Budget Impact over 1 year	L	49		
Budget Impact over 3 years	M	307		

**Government Grant**

Impact +/- 1.0% Variance £'000	L	42	66	90
Budget Impact over 1 year	L	42		
Budget Impact over 3 years	M	198		



		Potential Budgetary Effect		
	Risk	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Investment Interest</b>				
Impact +/- 0.5% Variance £'000	M	176	311	438
Budget Impact over 1 year	M	176		
Budget Impact over 3 years	H	925		
<b>Key Income Streams (GF)</b>				
Impact +/- 0.5% Variance £'000	L	10	20	31
Budget Impact over 1 year	L	10		
Budget Impact over 3 years	L	61		
<b>Key Income Streams (HRA)</b>				
Impact +/- 0.5% Variance £'000	L	91	185	281
Budget Impact over 1 years	L	91		
Budget Impact over 3 years	M	557		
<b>Business Rates</b>				
Impact +/- 10% Variance £'000	L	72	149	228
Budget Impact over 1 year	L	72		
Budget Impact over 3 years	M	449		

**Contingencies 2020/21 - 2024/25**

<b>Revenue</b>	2020/21	2021/22	2022/23	2023/24	2024/25
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
<b>General Fund</b>					
<b><i>Specific Contingencies</i></b>					
<i>General Contingency</i>	100	100	100	100	100
<i>General Contingency re economic conditions, Income Targets etc.</i>	65	244	244	244	244
<b><i>Total General Contingency</i></b>	<b>165</b>	<b>344</b>	<b>344</b>	<b>344</b>	<b>344</b>
<b>Total GF Revenue</b>	<b>165</b>	<b>344</b>	<b>344</b>	<b>344</b>	<b>344</b>
<b>Housing Revenue Account</b>					
<i>HRA - General Contingency</i>	130	130	130	130	130
<b>Total HRA Revenue</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>

<b>Capital</b>	2020/21	2021/22	2022/23	2023/24	2024/25
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
<b>General Fund</b>					
<b><i>General Contingency *</i></b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	-	-	-	-	-
<b>Total GF Capital</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing Revenue Account</b>					

<b><i>General Contingency *</i></b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total HRA Capital</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Forecast to be re-profiled from 2019/20 Capital Programme

**TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21**

**Purpose**

To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators.

**Executive Summary**

The Local Government Act 2003 requires the Council to produce prudential indicators in line with the Prudential Code.

This report outlines the Council's prudential indicators for 2020/21 – 2022/23 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 2003 by:

- Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
- Setting the Council's Minimum Revenue Provision (MRP) Policy, which defines how the Council will pay for capital assets through revenue contributions each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007);
- Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;
- Adopting the Council's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2017;
- Setting the Investment Strategy (in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance); and
- Affirming the effective management and responsibility for the control of risk and clearly identifying our appetite for risk. The Council's risk appetite is low in order to give priority to **S**ecurity, **L**iquidity then **Y**ield (or return on investments).

Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2017, the following four clauses have been adopted:

- a) This Council will create and maintain, as the cornerstones for effective treasury management:

A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and

Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- b) This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- c) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the organisation's policy statement and TMPs.
- d) This Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **Equalities Implications**

There are no equalities implications arising from the report.

### **Legal Implications**

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

### **Resource and Value for Money Implications**

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy and Capital Strategy.

### **Risk Implications**

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

A Glossary of terms utilised within the report can be found at **ANNEX 9**.

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<b>Background Papers:-</b>	<b><i>Budget &amp; Medium Term Financial Strategy 2020/21</i></b>
	<b><i>Mid-year Treasury Report 2019/20 Council, 10/12/19</i></b>
	<b><i>Annual Treasury Report 2018/19 Council, 10/09/19</i></b>
	<b><i>Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement &amp; Annual Investment Statement 2019/20 Council 26/02/19</i></b>
	<b><i>Treasury Management Training slides 20<sup>th</sup> November 2019</i></b>
	<b><i>CIPFA Code of Practice on Treasury Management in Public Services 2017</i></b>
	<b><i>DCLG Guidance on Local Government Investments March 2010</i></b>
	<b><i>Local Government Act 2003</i></b>
	<b><i>Treasury Management Practices 2020/21 (Operational Detail)</i></b>

## 1. INTRODUCTION

### 1.1 Background

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

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

The contribution the treasury management function makes to the Council 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.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

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.*

### 1.2 Reporting Requirements

#### 1.2.1 Capital Strategy

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

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

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

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### **1.2.2 Treasury Management Reporting**

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

#### **Prudential and Treasury Indicators and Treasury Strategy** (this report) –

The first, and most important, report is forward looking and covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

### **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.

### **An Annual Treasury Report**

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **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.

### **1.3 Treasury Management Strategy for 2020/21**

The strategy for 2020/21 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 will 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.

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

### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Detailed Treasury Management training was most recently provided in November 2019, and will be provided as and when required.



The training needs of Treasury Management officers are regularly reviewed.

## 1.5 Treasury Management Consultants

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

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

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

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23

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

### 2.1 Capital Expenditure

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

Capital Expenditure £m	2018/19 Actual	2019/20 Predicted Outturn*	2019/20 Re- profiling	2020/21 Estimate**	2021/22 Estimate	2022/23 Estimate
<b>Non-HRA</b>	3.376	3.781	1.816	1.579	1.356	0.831
<b>HRA</b>	9.266	26.897	2.453	10.246	9.502	8.377
<b>Commercial Activities/Non- Financial Investments ***</b>	7.139	4.135	8.726	-	-	-
<b>Total</b>	<b>19.781</b>	<b>34.812</b>	<b>12.995</b>	<b>11.825</b>	<b>10.858</b>	<b>9.208</b>

\* Actual Projected at Period 9

\*\* excludes projected slippage from 2019/20

\*\*\* commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties & investments in property funds.

The projected slippage into 2020/21 of £12.995m relates mainly to Gungate development, Gateways projects, Castle Mercian Trail, Amington Woodland & Cycleway, Property Fund investments and Solway LATC, High Rise lifts and Tinkers Green and Kerria redevelopment.

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

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.

<b>Capital Financing (GF/HRA)</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>Actual</b>	<b>Predicted Outturn*</b>	<b>Re-profiling</b>	<b>Estimate**</b>	<b>Estimate</b>	<b>Estimate</b>
Capital Receipts	8.198	9.095	8.923	1.533	1.230	1.410
Capital Grants	2.822	0.659	0.113	0.424	0.424	0.424
Capital Reserves	3.605	13.310	0.534	6.010	5.442	4.306
Revenue Reserves	5.061	5.391	0.853	3.015	3.005	2.816
Revenue Contributions	0.095	0.118	0.300	-	-	-
<b>Net financing need for the year</b>	-	6.24	2.27	0.84	0.76	0.25
<b>Total</b>	<b>19.781</b>	<b>34.812</b>	<b>12.995</b>	<b>11.825</b>	<b>10.858</b>	<b>9.208</b>

\* Actual Projected at Period 9

\*\* excludes projected slippage from 2019/20

However, it should be noted that due to receipt of Homes England grant of c.£5m, it is likely that the planned borrowing for the Regeneration of Tinkers Green and Kerria will be reduced to c.£2m.

The net financing need for commercial activities/non-financial investments included in the above table against expenditure is shown below:

<b>Commercial Activities/Non-Financial Investments</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>Actual</b>	<b>Predicted Outturn*</b>	<b>Re-profiling</b>	<b>Estimate**</b>	<b>Estimate</b>	<b>Estimate</b>
Capital Expenditure	7.139	4.135	8.726	-	-	-
Financing Costs	(7.139)	(4.135)	(8.726)	-	-	-
<b>Net financing need for the year</b>	-	-	-	-	-	-
Percentage of total net financing need %	-	-	-	-	-	-

## 2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so 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.

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

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2018/19 Actual	2019/20 Revised Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>Capital Financing Requirement</b>					
CFR – non housing	0.828	1.986	2.806	3.373	3.380
CFR - housing	68.041	73.065	75.255	75.255	75.255
CFR - commercial activities/non-financial investments	-	-	-	-	-
<b>Total CFR</b>	<b>68.869</b>	<b>75.052</b>	<b>78.061</b>	<b>78.628</b>	<b>78.634</b>
<b>Movement in CFR</b>	<b>(0.057)</b>	<b>6.182</b>	<b>3.010</b>	<b>0.567</b>	<b>0.006</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	-	6.239	3.116	0.757	0.252
Less MRP/VRP and other financing movements	<b>(0.057)</b>	<b>(0.056)</b>	<b>(0.106)</b>	<b>(0.189)</b>	<b>(0.246)</b>
<b>Movement in CFR</b>	<b>(0.057)</b>	<b>6.182</b>	<b>3.010</b>	<b>0.567</b>	<b>0.006</b>

\* CFR 2017/18 £68.926m

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

## 2.3 Core Funds and Expected Investment Balances

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

Year End Resources £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Fund Balances/Reserves	35.009	23.861	18.055	14.078	10.205
Capital Receipts	23.409	15.356	6.637	6.774	6.882
Provisions*	1.815	1.815	1.815	1.815	1.815
Other	-	-	-	-	-
<b>Total Core Funds</b>	<b>60.233</b>	<b>41.032</b>	<b>26.507</b>	<b>22.666</b>	<b>18.903</b>
Working Capital**	14.337	12.375	15.691	18.197	20.855
(Under)/Over Borrowing	(5.809)	(11.991)	(15.001)	(15.568)	(15.574)
<b>Expected Investments</b>	<b>68.761</b>	<b>41.415</b>	<b>27.197</b>	<b>25.295</b>	<b>24.184</b>

\* Includes full provision for NNDR appeals

\*\* Working capital balances shown are estimated year end; these may be higher mid year.

## 2.4 Minimum Revenue Provision (MRP) Policy Statement

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), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG 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:

For Capital Expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former MHCLG regulations (option 1);

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual PFI or finance leases are applied as MRP.

**MRP Overpayments** – a change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council has made no VRP overpayments.

### 3. BORROWING

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

#### 3.1 Current Portfolio Position

The overall Treasury Management portfolio as at 31<sup>st</sup> March 2019 and for the position as at 31<sup>st</sup> December 2019 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	ACTUAL AT 31/3/19		CURRENT AT 31/12/19	
	£m	%	£m	%
<b>Treasury Investments</b>				
Banks	50.520	73.47	33.000	47.21
Building Societies	-	-	-	-
Local Authorities	-	-	21.000	30.04
DMADF (H M Treasury)	-	-	-	-
Money Market Funds	4.421	6.43	6.124	8.76
Certificates of Deposit	10.000	14.54	6.002	8.59
<b>Total Managed in-House</b>	<b>64.941</b>	<b>94.445</b>	<b>66.126</b>	<b>94.61</b>
<b>Property Funds</b>	3.820	5.56	3.770	5.39
<b>Total Managed Externally</b>	<b>3.820</b>	<b>5.56</b>	<b>3.770</b>	<b>5.39</b>
<b>Total Treasury Investments</b>	<b>68.761</b>	<b>100</b>	<b>69.896</b>	<b>100</b>
<b>Treasury External Borrowing</b>				
PWLB	63.060	100	63.060	100
<b>Total External Borrowing</b>	<b>63.060</b>	100	<b>63.060</b>	100
<b>Net Treasury Investments/(Borrowing)</b>	<b>5.701</b>		<b>6.836</b>	

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.

<b>Treasury Portfolio</b>	<b>2018/19 Actual £000's</b>	<b>2019/20 Estimate £000's</b>	<b>2020/21 Estimate £000's</b>	<b>2021/22 Estimate £000's</b>	<b>2022/23 Estimate £000's</b>
<b>External Debt</b>					
Debt at 1st April	63.060	63.060	63.060	63.060	63.060
Expected change in Debt	-	-	-	-	-
<b>Actual gross debt at 31st March</b>	<b>63.060</b>	<b>63.060</b>	<b>63.060</b>	<b>63.060</b>	<b>63.060</b>
<b>The Capital Financing Requirement</b>	<b>68.869</b>	<b>75.052</b>	<b>78.061</b>	<b>78.628</b>	<b>78.634</b>
<b>Under / (over) borrowing</b>	<b>5.809</b>	<b>11.991</b>	<b>15.001</b>	<b>15.568</b>	<b>15.574</b>

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 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Executive Director Finance (the Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2. Treasury Indicators: Limits to Borrowing Activity

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

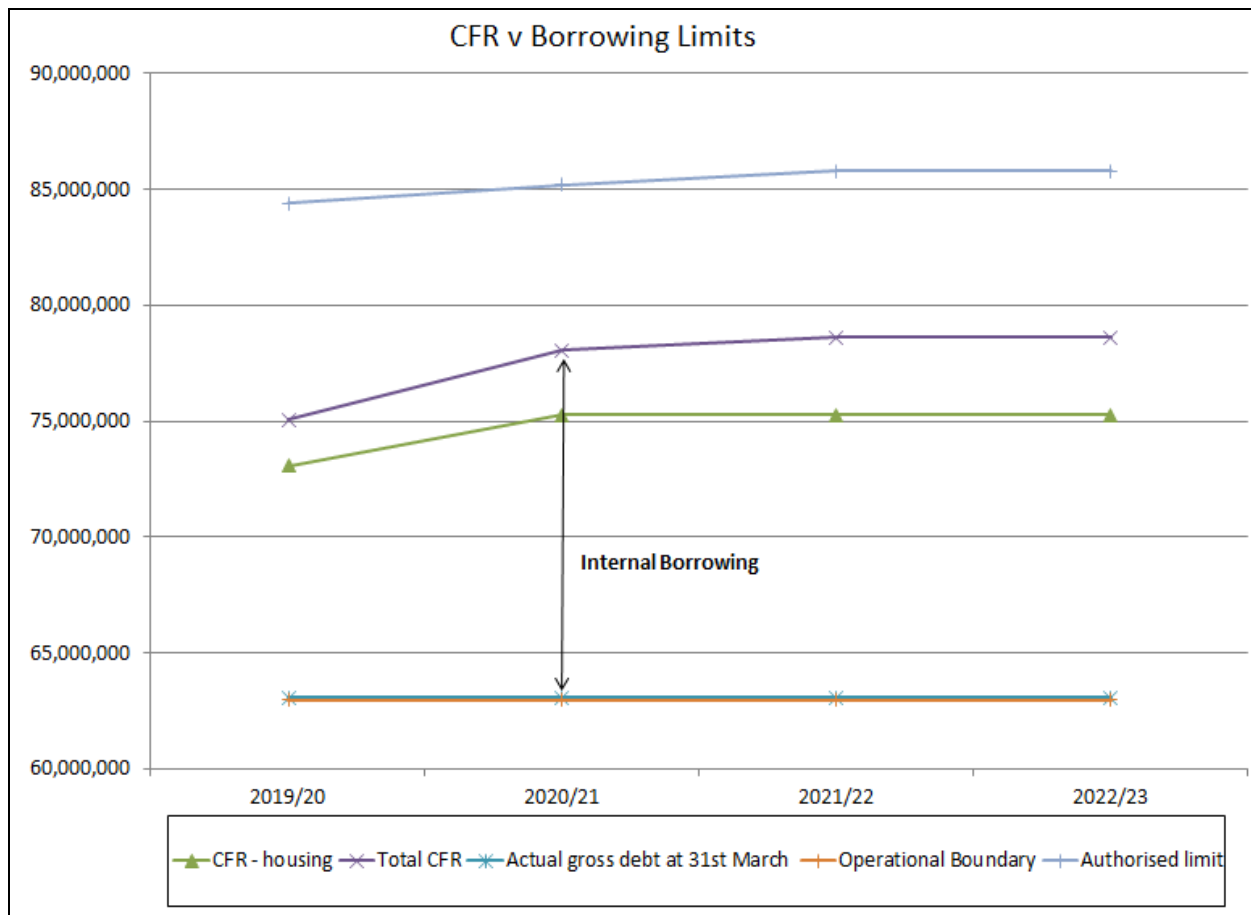
<b>Operational Boundary</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>	<b>2021/22 Estimate £m</b>	<b>2022/23 Estimate £m</b>
Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-	-	-
Commercial Activities/non- financial Investments	-	-	-	-
<b>Total</b>	<b>63.060</b>	<b>63.060</b>	<b>63.060</b>	<b>63.060</b>

**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.

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.

The Council is asked to approve the following Authorised Limit:

Authorised limit	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Borrowing	84.393	85.213	85.780	85.787
<b>Total</b>	<b>84.393</b>	<b>85.213</b>	<b>85.780</b>	<b>85.787</b>



### 3.3. Prospects for Interest Rates

A more detailed interest rate view and economic commentary are at **ANNEXES 2 & 3**.

The Council has appointed Link Asset Services as its Treasury Advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

2019 was a year of weak UK economic growth as political and Brexit uncertainty depressed confidence. It was therefore little surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% during the year. However, during January 2020, financial markets were predicting a 50:50 chance of a cut in Bank Rate at the time of the 30 January MPC meeting. Admittedly, there had been plenty of downbeat UK economic news in December and January which showed that all the political uncertainty leading up to the general election, together with uncertainty over where Brexit would be going after that election, had depressed economic growth in quarter 4 of 2019. However, that downbeat news was backward looking; more recent economic statistics and forward-looking business surveys, all pointed in the direction of a robust bounce in economic activity and a recovery of confidence after the decisive result of the general election removed political and Brexit uncertainty. The MPC clearly decided to focus on the more recent forward-looking news, rather than the earlier downbeat news, and so left Bank Rate unchanged. Provided that the forward-looking surveys are borne out in practice in the coming months, and the March Budget delivers with a fiscal boost, then it is expected that Bank Rate will be left unchanged until after the December trade deal deadline. However, the MPC is on alert that if the surveys prove optimistic and/or the Budget disappoints, then they may still take action and cut Bank Rate in order to stimulate growth.

**Bond yields / PWLB rates.** There had been much speculation during 2019 that the bond market had gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic



growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions were ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong, but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

### **Investment and borrowing rates**

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. As Link Asset Services' long-term forecast for Bank Rate is 2.25%, and all PWLB certainty rates are close to or above 2.25%, there is little value in borrowing from the PWLB at present. Accordingly, the Council will reassess its risk appetite in terms of either seeking cheaper alternative sources of borrowing or switching to short term borrowing in the money markets until such time as the Government might possibly reconsider the margins charged over gilt yields. Longer term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.
- While this Council will not be able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### **3.4 Borrowing Strategy**

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Executive Director Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

### **3.5 Policy on Borrowing in Advance of Need**

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

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.

### **3.6. Debt Rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates. If rescheduling was done, it will be reported to the Council at the earliest meeting following its action.

### **3.7 New Financial Institutions as a Source of Borrowing**

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

### 3.8 Approved Sources of Long and Short term Borrowing

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

## 4. ANNUAL INVESTMENT STRATEGY

### 4.1 Investment Policy – Management of Risk

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with 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.

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

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

The Council’s investment priorities will be security first, portfolio liquidity second, and then yield (return).

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

- 1) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 2) **Other Information:** Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- 3) **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 4) This Council has defined the list of **types of investment instruments** that the Treasury Management team, are authorised to use. There are two lists in Annex 4 under the categories of ‘specified’ and ‘non-specified’ investments.
  - a) **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- b) **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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity ie an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
- 5) **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 25% of the total investment portfolio (see paragraph 4.3)
- 6) **Lending limits** (amounts and maturity) for each counterparty will be set though applying the matrix table in paragraph 4.2
- 7) **Transaction limits** are set for each type of investment in 4.2
- 8) This Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)
- 9) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)
- 10) This Council has engaged **external consultants** (see paragraph 1.5) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- 11) All investments will be denominated in **sterling**.
- 12) As a result of the change in accounting standards for 2019/20 under IFRS 9, this Council 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, MHCLG concluded 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 commencing 1<sup>st</sup> April 2018.

This Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

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

#### **4.2 Creditworthiness Policy**

This 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:

- 'watches' and 'outlooks' from credit rating agencies;

- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned watches and outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this 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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

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

Typically the minimum credit ratings criteria the Council uses will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A -. 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.

All credit ratings will be monitored on a daily basis/as and when notified. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' 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 European Financials benchmark and other market data on a daily basis via its Passport website, provided

exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

<b>Counterparty</b>	<b>Colour (and long term rating where applicable)</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
<b>Banks/Building Societies *</b>	<b>Yellow</b>	<b>£10m</b>	<b>5yrs</b>
<b>Banks/Building Societies</b>	<b>Purple</b>	<b>£10m</b>	<b>2 yrs</b>
<b>Banks/Building Societies</b>	<b>Orange</b>	<b>£10m</b>	<b>1 yr</b>
<b>Banks – part nationalised</b>	<b>Blue</b>	<b>£10m</b>	<b>1 yr</b>
<b>Banks/Building Societies</b>	<b>Red</b>	<b>£10m</b>	<b>6 mths</b>
<b>Banks/Building Societies</b>	<b>green</b>	<b>£10m</b>	<b>100 days</b>
<b>Banks/Building Societies</b>	<b>No colour</b>	<b>Not to be used</b>	
<b>Council's banker (where "No Colour")</b>	<b>No colour</b>	<b>£2m</b>	<b>1 day</b>
<b>DMADF</b>	<b>UK sovereign rating</b>	<b>£10m</b>	<b>6 months</b>
<b>Local authorities</b>	<b>n/a</b>	<b>£10m</b>	<b>5yrs</b>
	<b>Fund Rating **</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
<b>Money Market Funds CNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>Liquid</b>
<b>Money Market Funds LVNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>Liquid</b>
<b>Money Market Funds VNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>Liquid</b>



*\* The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see Annex 4.*

*\*\* 'Fund' ratings are different to individual counterparty ratings, coming under either specific 'MMF' or 'Bond Fund' rating criteria.*

## **UK banks – ring fencing**

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

## **4.3 Country Limits**

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 25% of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of ‘AA-’ from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits. In addition:-**
  - no more than 25% will be placed with any non-UK country at any time;
  - a limit of £14m per group will apply to a group of companies;
  - sector limits will be monitored regularly for appropriateness.

## 4.4 Investment Strategy

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

### Investment Returns Expectations.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.25% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.25%

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:

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably relatively even due to the weight of all the uncertainties over post-Brexit trade arrangements and the impact of an expansionary government spending policy (as expected in the Budget on 11<sup>th</sup> March).
- The balance of risks to increases or decreases in Bank Rate and shorter term PWLB rates are also broadly even.

**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: -

<b>Upper limit for principal sums invested for longer than 365 days</b>			
	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Principal sums invested > 365 days	6.799	6.324	6.046
Current investments as at 31.12.19 in excess of 1 year maturing in each year	5.000	-	-

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.

#### **4.5 Investment Risk Benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month LIBID.

#### **4.6 End of year investment report**

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

## 5. ANNEXES

1. Prudential and Treasury Indicators
2. Interest Rate Forecasts
3. Economic Background
4. TMP 1 Credit & Counterparty Risk Management
5. Approved Countries for investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. Treasury Management Practices
9. Treasury Management Glossary of Terms
10. Prudential Indicators – Definitions/Interpretation

## ANNEX 1

### THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2020/21 – 2022/23

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

#### 1 Capital expenditure

A breakdown of capital expenditure by Directorate is detailed within the Performance Healthcheck reported quarterly to Cabinet.

#### 2 Affordability Prudential Indicators

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

##### a) Ratio of financing costs to net revenue stream.

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

Ratio of financing costs to net revenue stream.	2018/19 Actual %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
Non-HRA	(5.42)%	(5.82)%	(2.17)%	(0.84)%	(1.43)%
HRA	29.17%	29.10%	28.24%	27.21%	26.38%
Commercial Activities / non-financial Investments	(2.60)%	(2.71)%	(4.44)%	(6.45)%	(6.16)%

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

Commercial Activities/non-Financial Investments includes investments in property funds and the return on the Gungate Site purchase.

## b) Housing Revenue Account Debt Ratios

HRA Debt to Revenues Ratio	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
HRA Debt £m	68.041	73.065	75.255	75.255	75.255
HRA Revenues £m	18.046	18.006	18.783	19.411	19.883
Ratio of Debt to Revenues %	377	406	401	388	378

HRA Debt per Dwelling	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
HRA Debt £m	68.041	73.065	75.255	75.255	75.255
Number of HRA Dwellings	4,206	4,160	4,120	4,090	4,060
Debt per Dwelling £'000	16.177	17.564	18.266	18.400	18.536

## 4 Maturity Structure of Borrowing

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

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

<b>Maturity structure of Fixed Interest Rate borrowing 2020/21</b>		
Timeline	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

<b>Maturity structure of Variable Interest Rate borrowing 2020/21</b>		
Timeline	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

## 5. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4

## ANNEX 2 Interest Rate Forecasts 2020 – 2023

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80
<b>Bank Rate</b>													
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	-	-	-	-	-
<b>5yr PWLB Rate</b>													
Link Asset Services	2.30%	2.30%	2.40%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%
Capital Economics	2.40%	2.50%	2.50%	2.60%	2.60%	2.80%	2.80%	2.90%	-	-	-	-	-
<b>10yr PWLB Rate</b>													
Link Asset Services	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%
Capital Economics	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	-	-	-	-	-
<b>25yr PWLB Rate</b>													
Link Asset Services	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.20%	3.30%	3.30%	3.40%	-	-	-	-	-
<b>50yr PWLB Rate</b>													
Link Asset Services	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.80%
Capital Economics	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	-	-	-	-	-

## ANNEX 3 ECONOMIC BACKGROUND

**UK. Brexit.** 2019 was a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. The Conservative Government gained a large overall majority in the **general election** on 12 December; this ensured that the UK left the EU on 31 January. However, there will still be much uncertainty as the detail of a comprehensive trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open three possibilities; a partial agreement on many areas of agreement and then continuing negotiations to deal with the residual areas, the need for the target date to be put back, probably two years, or, a no deal Brexit in December 2020.

**GDP growth took** a big hit from both political and Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The forward-looking surveys in January have indicated that there could be a significant recovery of growth now that much uncertainty has gone. Nevertheless, economic growth may only come in at about 1% in 2020, pending the outcome of negotiations on a trade deal. Provided there is a satisfactory resolution of those negotiations, which are in both the EU's and UK's interest, then growth should strengthen further in 2021.

At its 30 January meeting, the Monetary Policy Committee held Bank Rate unchanged at 0.75%. The vote was again split 7-2, with two votes for a cut to 0.50%. The financial markets had been predicting a 50:50 chance of a rate cut at the time of the meeting. Admittedly, there had been plenty of downbeat UK economic news in December and January which showed that all the political uncertainty leading up to the general election, together with uncertainty over where Brexit would be going after the election, had depressed economic growth in quarter 4. In addition, three members of the MPC had made speeches in January which were distinctly on the dovish side, flagging up their concerns over weak growth and low inflation; as there were two other members of the MPC who voted for a rate cut in November, five would be a majority at the January MPC meeting if those three followed through on their concerns.

However, that downbeat news was backward looking; more recent economic statistics and forward-looking business surveys, have all pointed in the direction of a robust bounce in economic activity and a recovery of confidence after the decisive result of the general election removed political and immediate Brexit uncertainty. In addition, the September spending round increases in expenditure will start kicking in from April 2020, while the Budget in March is widely expected to include a substantial fiscal boost by further increases in expenditure, especially on infrastructure. The Bank of England cut its forecasts for growth from 1.2% to 0.8% for 2020, and from 1.8% to 1.4% for 2021. However, these forecasts could not include any allowance for the predicted fiscal boost in the March Budget. Overall, the MPC clearly decided to focus on the more recent forward-looking news than the earlier downbeat news.

The quarterly Monetary Policy Report did, though, flag up that there was still a risk of a Bank Rate cut; "Policy may need to reinforce the expected recovery in UK GDP growth should the more positive signals from recent indicators of global and domestic activity not be sustained or should indicators of domestic prices remain relatively weak." Obviously, if trade negotiations



with the EU failed to make satisfactory progress, this could dampen confidence and growth. On the other hand, there was also a warning in the other direction, that if growth were to pick up strongly, as suggested by recent business surveys, then "some modest tightening" of policy might be needed further ahead. It was therefore notable that the Bank had dropped its phrase that tightening would be "limited and gradual", a long-standing piece of forward guidance; this gives the MPC more room to raise Bank Rate more quickly if growth was to surge and, in turn, lead to a surge in inflation above the 2% target rate.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5% and then even further to 1.3% in December. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September, where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 and then a stunning increase of 208,000 in the three months to November. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.4% in November (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

**Coronavirus.** The recent Coronavirus outbreak could cause disruption to the economies of affected nations. The Chinese economy is now very much bigger than it was at the time of the SARS outbreak in 2003 and far more integrated into world supply chains. However, a temporary dip in Chinese growth could lead to a catch up of lost production in following quarters with minimal net overall effect over a period of a year. However, no one knows quite how big an impact this virus will have around the world; hopefully, the efforts of the WHO and the Chinese authorities will ensure that the current level of infection does not multiply greatly.

**USA.** After growth of 2.9% y/y in 2018 fuelled by President Trump's massive easing of fiscal policy, growth has weakened in 2019. After a strong start in quarter 1 at 3.1%, (annualised rate), it fell to 2.0% in quarter 2 and then 2.1% in quarters 3 and 4. This left the rate for 2019 as a whole at 2.3%, a slowdown from 2018 but not the precursor of a recession which financial markets had been fearing earlier in the year. Forward indicators are currently indicating that growth is likely to strengthen somewhat moving forward into 2020.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment'. It also ended its programme of quantitative tightening in August 2019, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. It left rates unchanged at its December meeting. Rates were again left unchanged at its end of January meeting although it had been thought that as the yield curve on Treasuries had been close to inverting again, (with 10 year yields nearly falling below 2 year yields - this is often viewed as being a potential indicator of impending recession), that the Fed could have

cut rates, especially in view of the threat posed by the coronavirus. However, it acknowledged that coronavirus was a threat of economic disruption but was not serious at the current time for the USA. In addition, the phase 1 trade deal with China is supportive of growth. The Fed though, does have an issue that despite reasonably strong growth rates, its inflation rate has stubbornly refused to rise to its preferred core inflation target of 2%; it came in at 1.6% in December. It is therefore unlikely to be raising rates in the near term. It is also committed to reviewing its approach to monetary policy by midyear 2020; this may include a move to inflation targeting becoming an average figure of 2% so as to allow more flexibility for inflation to under and over shoot.

**“The NEW NORMAL.”** The Fed chairman has given an overview of the current big picture of the economy by summing it up as **A NEW NORMAL OF LOW INTEREST RATES, LOW INFLATION AND PROBABLY LOWER GROWTH.** This is indeed an affliction that has mired Japan for the last two decades despite strenuous efforts to stimulate growth and inflation by copious amounts of fiscal stimulus and cutting rates to zero. China and the EU are currently facing the same difficulty to trying to get inflation and growth up. Our own MPC may well have growing concerns and one MPC member specifically warned on the potential for a low inflation trap in January.

It is also worth noting that no less than a quarter of total world sovereign debt is now yielding negative returns.

**EUROZONE. Growth** has been slowing from +1.8% during 2018 to nearly half of that in 2019. Growth was +0.4% q/q in quarter 1, +0.2% q/q in quarters 2 and 3; it then fell to +0.1% in quarter 4 for a total overall growth rate of only 1.0% in 2019. Recovery from quarter 4 is expected to be slow and gradual. German GDP growth has been struggling to stay in positive territory in 2019 and grew by only 0.6% in 2019, with quarter 4 potentially being a negative number. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and in 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting, it said that it expected to leave interest rates at their present levels “at least through to the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they would have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments

would need to help stimulate growth by 'growth friendly' fiscal policy. There have been no changes in rates or monetary policy since October. In January, the ECB warned that the economic outlook was 'tilted to the downside' and repeated previous requests for governments to do more to stimulate growth by increasing national spending. The new President of the ECB, Christine Lagarde, who took over in December, also stated that a year long review of monetary policy, including the price stability target, would be conducted by the ECB.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The most recent results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

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

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central

banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries.

## INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

### The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even due to the weight of all the uncertainties over post-Brexit trade arrangements and the impact of an expansionary government spending policy (as expected in the Budget on 11th March).
- The balance of risks to increases or decreases in Bank Rate and shorter term PWLB rates are also broadly even.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Post Brexit trade negotiations** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- **Brexit** – if a comprehensive agreement on a trade deal was reached that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.



## **ANNEX 4 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:** These are any investments which do not meet the specified investment criteria. A maximum of 25% 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:

<b>Counterparty</b>	<b>Minimum credit criteria / colour band</b>	<b>£ limit per institution</b>	<b>Max. maturity period</b>
DMADF – UK Government	Yellow	£10m	6 months (max is set by the DMO*)
UK Government gilts	Yellow	£10m	5 years
UK Government Treasury bills	Yellow	£10m	364 days (max is set by the DMO*)
Bonds issued by multilateral development banks	Yellow	£10m	5 years
Money Market Funds CNAV	AAA	£10m	Liquid
Money Market Funds LVNAV	AAA	£10m	Liquid
Money Market Funds VNAV	AAA	£10m	Liquid
Local authorities	Yellow	£10m	5 years
Term deposits with banks and building societies	Blue	£10m	12 months
	Orange		12 months
	Red		6 months
	Green		100 days

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
	No Colour		Not for use
CDs or corporate bonds with banks and building societies	Blue	£10m	12 months
	Orange		12 months
	Red		6 months
	Green		100 days
	No Colour		Not for use
Gilt funds	UK sovereign rating	£10m	
<b>Non-Specified Investments</b>			
Property Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type
Wider Investment Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type

\* DMO – is the Debt Management Office of HM Treasury

**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.



## ANNEX 5 APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AA- or higher (showing 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 Asset Services credit worthiness service.

### ***Based on lowest available rating***

#### AAA

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

#### AA+

- Finland
- U.S.A.

#### AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.\*

#### AA-

- Belgium
- Qatar

(Per Link Asset Services 3/1/20)

\* At its meeting of the 15<sup>th</sup> September 2009, full Council approved a recommendation that;

***‘authorises the use of institutions currently supported by the UK Government should its Sovereign rating be downgraded below the current requirement for a ‘AAA’ rating by all three rating agencies’***

this approval continues to form part of the strategy in 2020/21.

## **ANNEX 6 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Council**

- receiving and reviewing reports on Treasury Management policies, practices and activities.
- approval of annual strategy.
- approval of/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.

### **(ii) Cabinet**

- receiving and reviewing Treasury Management policy statement and Treasury Management practices and making recommendations to the full Council.
- receiving and reviewing regular monitoring reports and making recommendations to the full Council.
- approving the selection of external service providers and agreeing terms of appointment.

### **(iii) Audit and Governance Committee**

- reviewing the Treasury Management policy and procedures and making recommendations to the Cabinet.
- receiving and reviewing regular monitoring and making recommendations to the Cabinet.

## **ANNEX 7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

### **The S151 (responsible) Officer is responsible for**

- 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, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -
  - Risk management (TMP1), including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management (TMP2), including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation (TMP5), including a statement of the governance requirements for decision making in relation to non-treasury

investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

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

## **TREASURY MANAGEMENT PRACTICES**

The Treasury Management Practices document (TMPs) forms detailed operational procedures and processes for the Treasury Management function. This document can be found on the Council's Internet by following the following link;

<http://www.tamworth.gov.uk/treasury-practices>

and clicking on the TMPs folder.

The items below are summaries of the individual TMPs which the Council has to produce and adopt under the Treasury Code of Practice.

### **TMP1 : RISK MANAGEMENT**

#### **General Statement**

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of Treasury Management risk; will report at least annually on the adequacy / suitability of the arrangements and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives. The reports will be in accordance with the procedures contained in TMP6.

#### **1.1 Credit and Counterparty Risk Management**

*Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.*

This organisation regards a key objective of its Treasury Management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and detailed in the TMP Operational document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### **1.2 Liquidity Risk Management**

*This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.*

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

### **1.3 Interest Rate Risk Management**

*The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.*

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

### **1.4 Exchange Rate Risk Management**

*The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.*

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

### **1.5 Inflation Rate Risk Management**

*Inflation risk, also called purchasing power risk, is the chance that cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.*

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

### **1.6 Refinancing Risk Management**

*The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.*

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

### **1.7 Legal and Regulatory Risk Management**

*The risk that the organisation itself, or an organisation with which it is dealing in its Treasury Management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.*

The Council will ensure that all of its Treasury Management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its Treasury Management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

### **1.8 Fraud, Error and Corruption, and Contingency Management**

*The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.*

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its Treasury Management activities so that there can be no possible confusion as to what proper procedures are.
- c) Ensure that staff will not be allowed to take up Treasury Management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all Treasury Management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

## **1.9 Price Risk Management**

*The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated Treasury Management policies and objectives are compromised, against which effects it has failed to protect itself adequately.*

The Council will seek to ensure that its stated Treasury Management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

### **TMP2 : PERFORMANCE MEASUREMENT**

The Council is committed to the pursuit of best value in its Treasury Management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Treasury Management Policy Statement.

The Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal, grant or subsidy incentives, and the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in the detailed TMP Operational document.

### **TMP3 : DECISION-MAKING AND ANALYSIS**

The Council will maintain full records of its Treasury Management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are set out in the detailed TMP Operational document.

### **TMP4 : APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

The Council will undertake its Treasury Management activities by employing only those instruments, methods and techniques set out in the detailed TMP Operational document and within the limits and parameters defined in TMP1.

### **TMP5 : ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

The Council considers it essential, for the purposes of the effective control and monitoring of its Treasury Management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of Treasury Management responsibilities.

The principle on which this will be based is the clear distinction between those charged with setting Treasury Management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the



recording and administering of Treasury Management decisions and the audit and review of the Treasury Management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in Treasury Management, and the arrangements for absence cover. He will also ensure that at all times those engaged in Treasury Management will follow the policies and procedures set out. The present arrangements are set out in the detailed TMP Operational document.

The Section 151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are set out in the detailed TMP Operational document.

The delegations to the Section 151 Officer in respect of Treasury Management are set out in the detailed TMP Operational document. He will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

#### **TMP6 : REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its Treasury Management activities; and on the performance of the Treasury Management function.

As a minimum Cabinet and Council will receive:

- An annual report on the planned strategy to be pursued in the coming year and the reporting of Prudential Indicators.
- A mid-year review
- An annual report on the performance of the Treasury Management function including the performance against the Prudential Indicators, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's Treasury Management policy statement and TMPs.

Cabinet will receive regular monitoring reports on Treasury Management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of Treasury Management policies and practices.

The Treasury Management indicators will be considered together with the Treasury Management indicators in the Prudential Code as part of the budget approval process.

The present arrangements and the form of these reports are set out in the detailed TMP Operational document.

### **TMP7 : BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The Section 151 Officer will prepare and Council will approve and, if necessary from time to time, will amend, an annual budget for Treasury Management, which will bring together all of the costs involved in running the Treasury Management function together with associated income. The matters to be included will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1, TMP2 and TMP4.

The Section 151 Officer will exercise effective controls over this budget and report upon and recommend any changes required in accordance with TMP6.

The Council will account for its Treasury Management activities, for decisions made and transactions executed in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

### **TMP8 : CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and the Section 151 Officer will ensure that these are adequate for the purpose of monitoring compliance with TMP1. The present arrangements for preparing cash flow projections, and their form, are set out in the detailed TMP Operational document.

### **TMP9 : MONEY LAUNDERING**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council will, therefore, maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that all staff involved are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are set out in the detailed TMP Operational document.

### **TMP10 : TRAINING AND QUALIFICATIONS**

The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will seek to appoint individuals, who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer will ensure that Council members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

### **TMP11 : USE OF EXTERNAL SERVICE PROVIDERS**

The Council recognises that responsibility for the Treasury Management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of Treasury Management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. Terms of appointment will be properly agreed, documented and subject to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the detailed TMP Operational document.

### **TMP12 : CORPORATE GOVERNANCE**

The Council is committed to the pursuit of proper corporate governance throughout its services, and to establishing the principles and practices by which this can be achieved. Accordingly the Treasury Management function and its activities will be undertaken with openness, transparency, honesty, integrity and accountability.

The Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements are set out in the detailed TMP Operational document and are considered vital to the achievement of proper governance in Treasury Management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

### **TMP 13: MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS**

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all of its investments are covered in the capital strategy and/or investment strategy, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council maintains a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

The following TMPs will apply with regard to non-treasury management investments:-

**TMP1 - Risk management** - including investment and risk management criteria for material non-treasury investment portfolios

**TMP2 - Performance measurement and management** - including methodology and criteria for assessing the performance and success of non-treasury investments

**TMP5 - Decision making and analysis** - including a statement of the governance requirements for decision-making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making

**TMP6 - Reporting and management information** - including where and how often monitoring reports are taken

**TMP10 - Training and qualifications** - including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## ANNEX 9

### Treasury Management Glossary of Terms

Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Capital Financing Requirement	The Council's underlying need for borrowing for a capital purpose.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange for regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal.
Credit Rating	This is a scoring system that lenders issue organisations with, to determine how credit worthy they are.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
iTraxx	This is an index published by Markit who are a leading company in CDS pricing and valuation. The index is based on an equal weighting of the CDS spread of 25

	<p>European financial companies.</p> <p>Clients can use the iTraxx to see where an institution's CDS spread is relative to that of the market and judge its creditworthiness in that manner, as well as looking at the credit ratings.</p>
Liquidity	An asset is perfectly liquid if one can trade immediately, at a price not worse than the uninformed expected value, the quantity one desires.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision	Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. Their primary target (as set by the Government) is to keep inflation at or around 2%.
Security	An investment instrument, issued by a corporation, government, or other organization which offers evidence of debt or equity.
Short Term	A period of 364 days or less
Supranational Bonds	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the

	<p>European Investment Bank and the World Bank.</p> <p>Similarly to the government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.</p>
Treasury Management	<p>The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.</p>
Working Capital	<p>Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases.</p>
Yield	<p>The annual rate of return on an investment, expressed as a percentage.</p>

## ANNEX 10

### PRUDENTIAL INDICATORS – DEFINITIONS / INTERPRETATION

CIPFA's Prudential Code for Capital Finance requires local authorities to prepare Prudential Indicators of their intended capital spending plans for the forthcoming and future years. The indicators are intended to help the decision making process within an authority and must be approved by the full Council before the beginning of the financial year. The indicators are neither comparative statistics nor performance indicators. Different Councils will have different figures reflecting their history and local circumstances.

1. **Estimate of total capital expenditure to be incurred** – This summarises the Council's current plans for the total capital expenditure over the next 3 years. Details of individual schemes are contained within the capital estimate pages.

2. **Estimates of Capital Financing Summary** – This details the capital financing sources for the next 3 years.

3. **Estimated Ratio of financing costs to net revenue stream** - This indicator has been calculated as debt interest, borrowing refinancing costs, minimum revenue provision, depreciation for HRA, net of investment income and divided by the General Fund (GF) budget requirement for the GF element of costs and the total of HRA income for the HRA costs. For GF Account, the indicator has been calculated gross of government support in the form of RSG for the proportion of capital expenditure funded from supported level of borrowing.

4. **Capital Financing Requirement** – This represents the Council's underlying need to borrow to finance historic capital expenditure and is derived by aggregating specified items from the Council's balance sheet. The actual **net borrowing** is lower than this because of the current strategy to use internal borrowing rather than replace maturing debt.

5. **Actual External Debt** – This is a key indicator and Section 3 of the Local Government Act 2003 requires the Council to ensure that gross external debt does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

6. **Authorised Borrowing Limit for external debt** - This indicator represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers is **prudent**. It allows for uncertain cash flow movements and borrowing in advance for future requirements. The Council does not currently have any finance lease liabilities.

The recommended authorised limits for external debt are gross of investments and are consistent with the Council's current commitments, existing plans and the current treasury management policy and strategy. The authorised limit determined for 2018- 19 is the statutory limit determined under section 3(1) of the Local Government Act 2003.

7. **Operational Boundary for external debt** - The proposed operational boundary for external debt is calculated on the same estimates as the authorised limit but reflects estimates of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to



the maximum of external debt projected by this estimate. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified.

**8. Treasury Management** – these indicators form part of the treasury management strategy and policy statement approved by the Council each year before the beginning of the financial year. The main indicators are:

(a) The adoption of **CIPFA Code of Practice for Treasury Management**, which the Council adopted before the current Prudential System was introduced.

(b) **Interest Rate Exposure** - The approved Treasury Policy Statement and Strategy contains upper and lower limits for fixed and variable interest rate exposure for net outstanding principal sums.

(c) **Maturity Structure of Borrowing** – The approved treasury management strategy also sets out the maturity structure of the Council's borrowing to ensure the Council is not exposed to risks of having to refinance large level of debt at a time in future when interest rates may be volatile or uncertain.

(d) **Investments longer than 365 days** – The approved treasury management strategy includes a limit of £20m for investments maturing beyond 365 days.

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## CORPORATE CAPITAL STRATEGY

### PURPOSE

This strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

The Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy (MTFS).

It sets out the strategic influences on the Council's capital investment plan and how the Council is going to work with these influences to bring about the best advantage to meet local needs – including working with Partners:

- the Local Enterprise Partnerships (Greater Birmingham and Solihull and Staffordshire and Stoke-on-Trent) of which the council is a Member;
- the West Midlands Combined Authority as a Non-Constituent member;
- Staffordshire Commissioner for Police, Fire and Rescue and Crime;

with the aim to drive economic regeneration, deliver local plan objectives and access inward investment to support the delivery of local capital priorities.

The Council plans to update its approach to Asset Management and long term asset planning to improve the way strategic property objectives can be delivered. This will enable the development of a longer term plan for the management and maintenance of its assets, whilst identifying the funding ambition gap to maximise inward investment opportunities for funding from Partners.

It also demonstrates that the Council has regard to the Prudential Code for Capital Finance by giving a clear and concise view of how much it can afford to borrow and its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

### Summary Capital Investment Plan

Capital Programme	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund	1,579	1,356	831	1,104	951
HRA	10,246	9,502	8,377	9,454	9,283

The General Fund capital programme will require unsupported borrowing of £2.7m over the next 5 years subject to the exploration and availability of alternative funding. Key Schemes include:

- Gateways £190k (including £120k S106 receipts/CIL);
- Disabled Facilities Grants, £650k p.a. (including £400k p.a. BCF grant);
- Replacement Castle Grounds Play Area 2021/22, £375k;
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
- Street lighting £400k;
- Technology, £400k;
- Castle, £400k;
- CCTV, £240k;
- Asset Management Database £150k;
- Castle lighting, £40k

The HRA capital programme can be fully funded through projected capital resources. Key HRA Schemes:

- HRA Business plan works to dwellings, £32.2m;
- Street lighting £599k;
- High Rise fire doors £1.46m;
- Retention of Garage Sites, £3.5m;
- Regeneration & Other acquisitions, £9m

### **Impact on Medium Term Financial Plan**

The General Fund capital programme will require unsupported borrowing of £2.7m over the next 5 years which will be funded through internal borrowing (with an associated loss of investment interest) and will require provision for debt repayment.

The HRA capital programme will be funded through capital receipts and annual revenue contributions of c.£7m.

### **Summary of Risk Assessment**

Risks specific to the capital programme and the capital strategy are managed in accordance with the Council's Risk Management Policy and are recorded and monitored through the Pentana Performance Management system. Risks are monitored on an ongoing basis as part of routine risk management practices and are reviewed and updated where appropriate as part of the refresh of the Capital Strategy. Risks specific to the capital strategy are included in a table at **Annex C**. They align with other corporate risk registers and are informed by project/programme level risks to ensure risks are monitored and managed from operational through to strategic level.

## The Capital Strategy

The Capital Strategy is a 'live' and dynamic document, which will update and evolve as strategic influences and priorities change. The Corporate Capital Strategy will be reviewed annually and an update presented to Council in February each year as part of the MTFS report. However should a significant situation arise, whether it be a policy matter, an investment opportunity or a new risk for example, an update to the Capital Strategy will be presented to Members as part of the quarterly performance report.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan including the approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs, and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment through working with regional/County partners;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy informs the strategic direction of capital investment through consideration of strategic priorities and objectives. It feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

The Strategy is supported by the leadership of the Council, including the Chief Executive and the Leader of the Council. The recently updated CIPFA Prudential Code now requires that 'the chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.' The statement below is the response of the Executive Director Finance:-

Affordability and risk are key considerations within this capital strategy. The key principles articulated are that the strategy must support the financial viability of the Council, and that payback should be a key consideration of the strategy.

The capital investments detailed within the strategy provide for a number of regeneration opportunities. Robust risk management is also a requirement of our strategy. Business cases for new schemes are required to ensure that risks are adequately considered. The most significant risks are currently capacity to deliver individual projects, and adequately identifying resources required at the commencement of projects.

Over the next five years the strategy is expected to see over £50m of capital expenditure (both General Fund and HRA). The HRA capital programme is a key element of the 30 year HRA Business Plan. Within this financial context and considering the Council's balance sheet and asset base, and its track record in acquiring, managing and disposing of assets where required to support its objectives, the capital strategy as a whole is proportionate to the Council's overall activities and financial position.

Specialised external advice is obtained where required with regard to specific schemes, for example to support commercial acquisitions or in considering the financial implications of major schemes included within the strategy. The Council also utilises our treasury management advisors, Link Asset Services, to consider the implications of the Prudential Code and the impact on the treasury management strategy.

The strategy articulates a wide range of new and existing activities. This includes regeneration ambitions, new infrastructure and significant investment in Housing as well as smaller schemes. The strategy also leaves space for consideration of new income streams that fit with our ambitions as a Council and support areas in which we already have skills and knowledge.

## **Background**

The Council has an ongoing capital programme of over £50m for 2019/20 and an asset base valued at £236m (as at 31<sup>st</sup> March 2019).

Traditionally the Council's capital programme has been set and approved for a five year period, with a 30 year HRA business plan setting out future plans for the Council's housing stock. In order to improve longer term strategic planning, so that the Council can better prioritise spending and align with local, regional and national priorities, it is recognised that the current capital programme needs to have a longer-term focus for the purposes of the capital strategy, ideally looking to a 20-30 year timeframe.

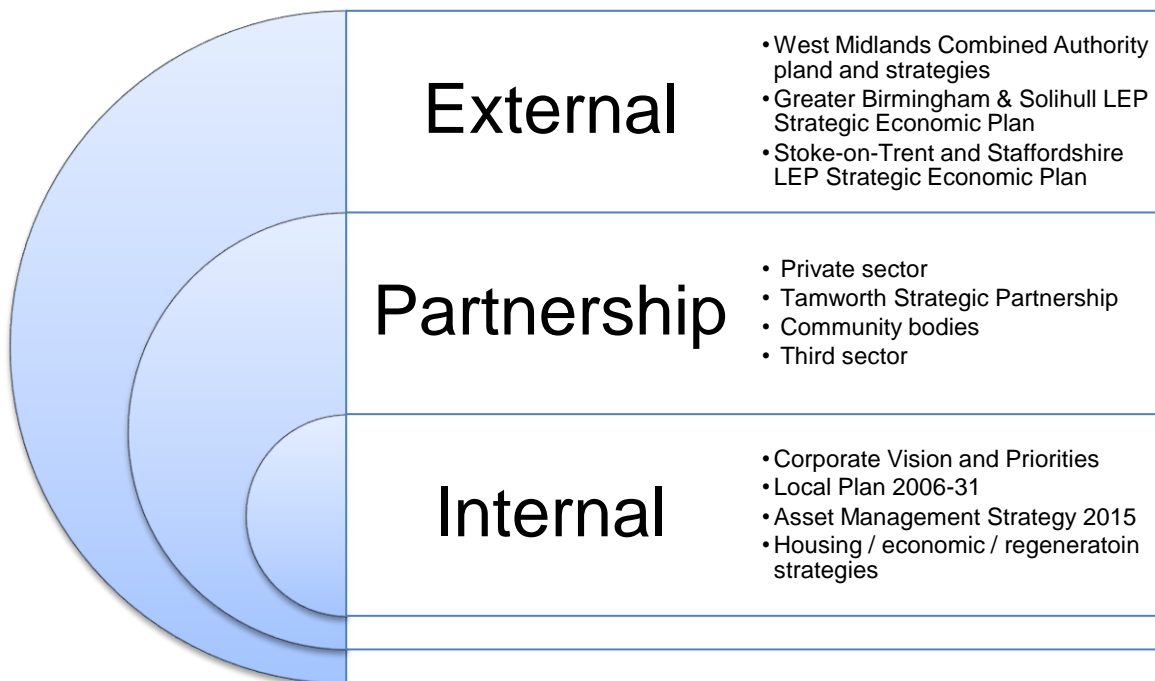
As a result, the following 2019/20 action plan item has been implemented through the development of a 30 year whole life costing model:-

**The process for the consideration of capital expenditure within the MTFs process has been reviewed and refined to ensure that there are provisional plans for expenditure out to a 10 year timeframe, with an indication of requirements out to 20-30 years.**

A number of actions/improvements have been identified throughout this capital strategy, and they are summarised in an action plan, with target completion dates and responsible officers, at **Annex B**.

### Influences

The following diagram illustrates some of the main internal and external influences on the Council’s capital strategy, including our partners. Consideration of these plans and strategies in the context of our own capital ambitions is important because it may provide new opportunities for investment or funding.



The Council’s corporate priorities are an integral influence in informing the Capital Strategy and set the scene for how capital projects and individual proposals are assessed.

<b>TAMWORTH BOROUGH COUNCIL: VISION</b>	
<b>To put Tamworth, its people and the local economy at the heart of everything we do</b>	
<b>OUR STRATEGIC PRIORITIES FOR 2019-2022</b>	
<b>People and Place</b>	<b>Organisation</b>
<ol style="list-style-type: none"> <li>1. To meet housing needs through a variety of approaches and interventions</li> <li>2. To facilitate sustainable growth and economic prosperity</li> </ol>	<ol style="list-style-type: none"> <li>1. To be financially stable</li> <li>2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses</li> </ol>

<p>3. To work collaboratively and flexibly to meet the needs of our communities</p> <p>4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century</p>	<p>3. To ensure our service delivery is consistent, clear, and focused</p> <p>4. To ensure our decisions are driven by evidence and knowledge</p>
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The Council is committed to working with its public, peers and partners in order to:

- a) Sustain essential services at agreed standards for those in greatest need;
- b) Deliver a programme of projects, planned initiatives and work streams designed to achieve outcomes against the Corporate Priorities;
- c) Adopt a commercial approach to growth and investment designed to generate a sustainable income to support a) and b); and
- d) Continue its excellent performance in financial planning, management and investment. By being 'Risk Aware' rather than 'Risk Averse', the Council will consider all opportunities to improve and/or sustain services.

### **The Capital Appraisal Process**

The capital appraisal process is important as it helps to prioritise schemes in order to target spending in a challenging funding climate, and to ensure that the Council is spending on projects which help to deliver its strategic priorities.

As part of the Council's business planning process, managers and Assistant Directors are required to consider the capital resources needed to deliver their services now and into the future (5 year timeframe). The asset management plan and HRA business plan also inform the capital strategy.

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of compliance with the Corporate Capital Strategy requirements of:
  1. Invest to save
  2. Maintenance of services and assets
  3. Protection of income streams
  4. Avoidance of cost.



The current de-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The expected outputs, outcomes and contribution to corporate objectives;
- The estimated financial implications, both capital and revenue;
- Any impacts on efficiency and value for money;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

Corporate Management Team and Service Managers identify the potential need for capital investment, in light of external influences, internal strategies and plans, service delivery plans and, in particular, the Asset Management plan. This is seen as a core influence on the Capital Strategy, and informs the priorities and schemes considered as it takes account of issues such as the condition of council owned assets and future maintenance requirements. Other key considerations are health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.

The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

It was recognised last year that further action is required to fully embed the capital appraisal process, including proper consideration of options and risk, into the capital strategy and planning processes at Tamworth, and ensure that this is not just a 'tick-box' exercise. Therefore the following action plan task has been implemented:-

- 1) Consideration of service units' capital requirements now form part of the business planning process and a template has been drawn up to ensure this is properly considered and captured on Pentana, the performance management system;**

- 2) **The capital appraisal process and associated documentation has been reviewed and updated to ensure proper consideration given to whole life costs of scheme. Further work is needed during 2020/21 to further improve the consideration of alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.**

### **Monitoring of Approved Capital Schemes**

Each capital scheme has a budget holder/project manager who is responsible for ensuring progress against scheme in line with agreed timescales and for ensuring adherence to the approved budget. The Collaborative Planning (CP) system is used to monitor spend against budget and to inform the projected outturn position. The budget holder/project manager will hold monthly meetings with his/her Accountant to update budget monitoring information on the system and provide a brief commentary as to the progress of each project. Projected capital slippage and potential re-profiling of associated budgets is also reported. The monitoring of progress on individual schemes is reported to Corporate Management Team on a monthly basis and to Cabinet quarterly as part of Financial and Performance Healthcheck reports.

An annual Capital Outturn report is prepared for Cabinet in June each year which details the final outturn for the year, the latest project update from the Service Manager and any proposals to re-profile spend to future financial years for Cabinet approval.

A post implementation review is not appropriate or necessary for all capital projects. They should be prepared where learning is identified which could assist future projects or where there is a significant financial or political impact. Directors should encourage the collation of data during the project and identify any lessons learned which will assist in improving the process in the future.

**As part of the approved Strategy for 2019/20, the following action plan tasks have been implemented:**

- a) **A post implementation review is completed for each scheme where learning is identified which could assist future projects or where there is a significant financial or political impact;**
- b) **The Asset Strategy Steering Group now meet on a Quarterly basis to:**
  - i. **scrutinise the completed post implementation reports;**
  - ii. **review the management and monitoring of the capital programme; with appropriate feedback and challenge – identifying improvements to improve the future management of the capital programme.**

The full capital appraisal and monitoring process and guidance for managers can be found on the intranet at this link:-

<http://infozone.tamworth.gov.uk:901/financial-guidance>

**A review of the guidance to reflect changes implemented in 2019/20 is planned for 2020/21.**

## Review of Asset Management Plan

The Council's Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

The Corporate Asset Management Strategy was last updated in 2015 relating to the following assets:

<b>Asset Description</b>	<b>Value (31/03/15)</b>
Investment Properties	£14,588,052
Land and Buildings	£6,537,500
<b>Total</b>	<b>£21,125,552</b>

It details an estimated 10 year maintenance cost for each asset (**totalling c.£8m**) based on the inspections that had been undertaken.

<b>Asset Type</b>	<b>Estimated Backlog Costs (10 years)</b>
Non-Operational – Commercial	£3.288m
Non-Operational – Retail	£1.861m
Operational Properties – Direct	£0.482m
Operational Properties – Indirect	£1.052m
Non-Operational – Community spaces	£0.194m
Non-Operational – Cemetery Land	£0.179m
Operational Properties – Office & Admin.	£1.038m
Other Properties	£0.333m
<b>Total</b>	<b>£8.427m</b>

It has been identified that the Council, through this strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets. This could include the option to invest in or dispose of current asset holdings or make further acquisitions.

It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the following action is to be undertaken in 2020/21:-

**The Asset Management Plan is to be reviewed and updated, with an up to date stock condition survey. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.**

## **HRA BUSINESS PLAN**

The Local Plan to 2031 has a target of 177 units of new housing, of which only 40 units per year are likely to be delivered by private developers. This represents only 21% of the total required number of new affordable homes – leaving 79% of need unmet.

The HRA Business Plan has the potential to address some of this unmet need. However the extent to which it can make up a shortfall depends on the resources available within the HRA.

As at April 2018, the Council's stock comprised 4,269 homes, 390 leasehold properties and 1,454 garages. Of the 4,269 homes, 2,391 (56%) are houses, 1,278 (30%) flats or maisonettes, 235 (5.5%) are bungalows. A further 365 properties (8.5%) are sheltered accommodation located in 10 separate schemes and comprising a mixture of flats and bungalows. 1029 properties (24%) are of non-traditional construction. The construction type, location and mix of properties in Tamworth have implications for the Investment Programme and Business Plan.

We know that resources within the Business Plan are unlikely to allow the Council to achieve all that it wants to do. However, over the course of the next thirty years opportunities may arise and there may be scope to progress these if the Business Plan has capacity at the time.

Three areas in particular will continue to be actively considered as priorities if additional resources become available:

- New affordable housing
- Regeneration of additional estates
- Investment in early help and preventative based strategies

Where savings are achieved when delivering existing Business Plan commitments, these may be used on the priority areas above.

## **DEBT AND BORROWING AND TREASURY MANAGEMENT**

Details of the Council's borrowing need (Capital Financing Requirement – CFR), current and forecast debt, and other prudential indicators, as required by the CIPFA Prudential Code for Capital Finance, will be set out in the Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2020/21.

### **Capital Funding Streams**

Decisions on capital investment should be made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts and third party contributions/external grants. Other potential funding opportunities for future consideration include external borrowing and direct revenue funding (from other sources such as revenue contribution).

**External Grants** – external grant allocations are received from central government, for example Disabled Facilities Grant, and also other organisations such as the Heritage Lottery Fund (currently part-funding the Assembly Rooms project).

**Section 106 and External Contributions** – S106 contributions from developers can support Leisure and open space programmes in the Borough.

**Capital Receipts** – the Council is able to generate capital receipts through the sale of surplus assets such as land and buildings and has recently benefitted from £24m as a result of the sale of the Golf Course at Amington, which is earmarked for investment under the Council's Commercial Strategy. The potential for future sales will be determined as part of the Council's Asset Management Strategy, to be refreshed as per the action plan detailed previously. Any further capital receipts generated will be reinvested in the capital programme.

**Reserves** – the Council has a level of reserves which are earmarked to be used to support delivery of the Corporate Plan or Invest to Save projects.

**Revenue Funding** – the Council can use revenue resources to fund capital projects by making a 'revenue contribution to capital,' however continuing revenue budgetary constraints mean this option is limited.

**Prudential Borrowing** – the introduction of the Prudential Code in 2004 allows Councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This type of borrowing has revenue implications for the Council in the form of financing costs.

## APPROACH TO RISK MANAGEMENT

The Council is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence. The risks considered in the capital strategy are considered with reference to the corporate risk management policy and practices. The Risk Management Strategy and further information can be accessed at the following link:-

<http://infozone.tamworth.gov.uk:901/risk-management>

### Risk Appetite

The risk appetite is “the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time” (CIPFA). The Council will manage the risks by reducing, preventing, transferring, eliminating or accepting the risk.

Whilst the Council acknowledges that it will have “severe” (red) risks from time to time, it will endeavour to reduce those to an acceptable level either through controls or ceasing the activity (if applicable). Sometimes risks are identified and even though managed, may still remain “severe” (red risk).

### Risk Management Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. Considering risks must be embedded into corporate policy approval and operational service delivery.

The agreed roles and responsibilities within the risk management framework are outlined in the table below:

<b>Group /Individual</b>	<b>Role</b>
Corporate Management Team	<ul style="list-style-type: none"><li>• Provide leadership for the process to manage risks effectively.</li><li>• Review and revise the Risk Management Policy and Strategy in accordance with the review period.</li><li>• Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.</li></ul>
Audit & Governance Committee	<ul style="list-style-type: none"><li>• Monitor the effectiveness of the Authority’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management.</li><li>• To monitor the actions being taken to mitigate the impact of potentially serious risks</li></ul>
Cabinet	<ul style="list-style-type: none"><li>• To provide strategic direction with regard to risk management.</li></ul>

<b>Group /Individual</b>	<b>Role</b>
Directors / Assistant Directors	<ul style="list-style-type: none"> <li>• To provide leadership for the process of managing risks.</li> <li>• To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals.</li> <li>• To identify and manage business /operational risks.</li> <li>• To ensure that the management of risk is monitored as part of the performance management process.</li> </ul>
Directors / Assistant Directors	<ul style="list-style-type: none"> <li>• To ensure that all risks are identified, recorded and effectively managed in their area or responsibility.</li> <li>• To review and update their risk register on at least an annual basis but appropriate to the risk.</li> <li>• To determine the method of controlling the risk.</li> <li>• To delegate responsibility if appropriate for the control of the risk.</li> <li>• To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.</li> </ul>
All staff	<ul style="list-style-type: none"> <li>• To ensure that risk is effectively managed in their areas.</li> <li>• To ensure that they notify their managers of new and emerging risks.</li> </ul>
Assistant Director - Finance	<ul style="list-style-type: none"> <li>• To ensure that the risk management strategy is regularly reviewed and updated.</li> <li>• Promote and support the risk management process throughout the Authority.</li> <li>• Advise and assist managers in the identification of risks.</li> </ul>

The Audit & Governance Committee will regularly review the Risk Management Policy and Strategy to ensure their continued relevance to the Borough. They will also assess performance against the aims and objectives.

Specific capital risks are contained within a register at **Annex C** to the Capital Strategy, alongside mitigating actions.

## **COMMERCIAL ACTIVITY**

The Council's Commercial Investment Strategy set out a number of alternative investment options to generate improved returns of c. 4 to 5% p.a. (plus asset growth) including:

- Set up of trading company to develop new income streams;
- Local investment options – Lower Gungate/Solway Close development including the potential to drawdown funding from the Local Growth Fund/ Local Enterprise Partnerships (GBS and Staffordshire);
- Investments in Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

Note: these would represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

CIPFA defines commercial investments as those which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as loans in subsidiaries or other outsourcing structures; or investments explicitly taken with the aim of making a financial surplus for the organisation. Commercial investments also include non-financial assets which are held primarily for financial benefit, such as investment properties.

The Code requires that such investments are proportional to the level of resources available, and that the same robust procedures for the consideration of risk and return are applied to investment decisions. All such investments are therefore included within the capital strategy/investment strategy, setting out the risk appetite and including specific policies and arrangements for such investments, and details of existing material investments and risk exposure.

### **Investment in Property Funds**

As part of the Capital Programme, the Council has since 2018/19 begun to invest in Commercial Property Funds to establish a portfolio which is managed to generate a revenue return to the Council to support financial sustainability and to protect the provision of services to residents, along with maintaining and growing the capital value of the investment. A capital scheme of £12m was included within the 2018/19 capital programme to generate a target net additional income of c. £300k per annum, financed from part of the capital receipt from the sale of the former Golf Course.

A Property Fund Manager selection exercise was undertaken following the appointment of Link Asset Services to provide support and advice in the identification and selection of suitable UK-focussed property funds.

At the outset, the Council was looking to engage with funds that had a broad remit of exposures to different property types, rather than being focussed on one particular area, such as shopping centres. Link Asset Services looked to the “Balanced Fund” universe of UK property funds, as outlined in the AREF/IPD UK Quarterly Property Fund Index, for the starting point for selection. This universe is the industry accepted standard for balanced property funds and included 27 funds as at the close of September 2017.

From this initial list, a number of funds were removed in instances where the Council would not be able to invest, for example those that are solely for pension funds and others where investor types are limited, excluding Local Authorities. The Council also looked to exclude funds below a minimum size threshold of £750m. This left 10 funds from which to further shortlist, and each was sent a copy of a questionnaire to complete, which had been drawn up in conjunction with Link Asset Services and focussed on a number of key areas. Following consideration of the completed questionnaires, a shortlist of 6 funds was drawn up, and the Fund Managers were invited to attend the Council’s offices and give a presentation on their fund and answer questions from the selection panel, which consisted of Council officers and Link Asset Services. Further details of the selection process were included in Link Asset Services’ report presented to Members on 21<sup>st</sup> February 2018.



The result of the process was to look to consider splitting investment across the following six funds:-

BlackRock UK Property Fund  
Hermes Property Unit Trust  
Lothbury Property Trust  
Schroder UK Real Estate Fund  
The Local Authorities Property Fund (CCLA)  
Threadneedle Property Unit Trust

This will provide the Council with a range of approaches to property fund investment, diversification across a number of funds, rather than a concentration in only one or two options, as well as the ability to take advantage of entering a number of funds via the secondary market, whereby the Council would be purchasing units from investors looking to exit the particular fund, and may potentially gain access to a fund at a lower level of cost than via the primary route.

The Council is able to invest in property funds under legislation contained within the Local Government Act 2003.

Members endorsed the above approach and approved investment in the above property funds, making use of both primary and secondary markets as appropriate, at full Council on 27<sup>th</sup> February 2018.

Investments in property funds as at September 2019 are as follows:-

Schroders UK Real Estate Fund - £1.85m, with an estimated return/yield of 3.2%

Threadneedle Property Unit Trust - £2.0m, with an estimated return/yield of 4.7%

Total investments - £3.85m, with an estimated return of c.4% plus any capital growth.

Fund	Settlement Date	Standard Entry Cost	Actual Entry Cost/Saving	Net consideration	Fees	Total Cost	Estimated Return p.a.
		£	%	£	£	£	%
Schroders UK Real Estate Fund	08-May-18	1,880,516	-1.60%	1,782,933	12,951	1,795,884	
Schroders UK Real Estate Fund	08-May-18	69,612	-1.60%	66,000	479	66,479	
		1,950,128	-1.60%	1,848,933	13,431	1,862,364	3.20%
Threadneedle Property Unit Trust	31-Jul-18	2,052,709	3.50%	2,000,249	7,046	2,007,295	4.68%
<b>Totals</b>				<b>3,849,182</b>	<b>20,477</b>	<b>3,869,659</b>	<b>4.00%</b>

Performance information is received from each fund on a monthly/quarterly basis and a monitoring spreadsheet has been established to track income received and growth in the funds. Income generated is reported to CMT monthly and to Members quarterly as part of regular financial healthcheck reports, as well as in the regular Treasury Management reports presented to Cabinet and Council (three each year). Performance management/monitoring is also undertaken with reference to the financial press and Link Asset Services advice.

Due to recent uncertainty around arrangements for Brexit and the associated potential impact on the economy, it has been decided to delay any further investment in property funds until there is more clarity.

The MTFS includes assumed income of £480k p.a. from 2020/21 arising from the investment of £12m in property funds – with a projected revenue return of 4% p.a.

The annual revenue return is dependent on the property fund achieving rental income returns on the commercial property portfolio which has been relatively stable in the past due to the quality of the commercial property owned by the fund. With regard to the growth (or contraction) in the overall asset value – over the longer term, growth has been consistent but can be subject to market correction (and losses) in the short term. However, it has been recognised that the funds will be a long term investment for 10-15 years and would not be redeemed to realise a loss. A budget / reserve of £600k will also be available to mitigate any losses.

While this does go some way towards achieving a balanced budget and MTFS, the Council currently has reserves and balances totalling c.£50m and other plans to achieve savings in the future.

### **Regeneration of Town Centre and Purchase of Gungate site**

Council on 11<sup>th</sup> April 2018 approved the purchase of the Gungate site within Tamworth town centre, incorporating the site of the former Gungate shopping precinct; a private pay and display car park currently leased to NCP for a term of 26 years; and a Council run pay and display car park leased to the Council on a peppercorn lease until 2062. This was funded from a £4million capital budget financed from capital receipts from the sale of the Golf Course. Following the purchase of this site, the Council is now in receipt of an additional income stream in respect of the area leased to NCP.

The Council is entitled to purchase land to hold as an investment and regeneration opportunity under the Local Government Act 1972; and the Local Government Act 2003 gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

As part of this report, Members also approved the development of a regeneration opportunity including further site acquisition should this be beneficial; including formal negotiations with Staffordshire County Council and Staffordshire Police to look at the inclusion of land bordering the site; and to commence masterplanning works to bring the site to a commercially viable development opportunity.

The report to Council recognised that any return from future redevelopment is not guaranteed, and that it could take several years to get a major regeneration project up and running. Initial plans are for a mixed housing/leisure development.

The Council has been working with Aspinall Verdi and Altair to develop options for the site, and resources were secured from the Local Government Association (LGA) to pay for 40 days' consultancy; and an £80k grant was received from the Greater Birmingham and Solihull Local Enterprise Partnership.

### **Solway (Tamworth) Ltd**

In line with plans set out in the Commercial Investment Strategy, Council on 17<sup>th</sup> July 2018 approved the establishment of Solway (Tamworth) Ltd, a trading company to be wholly owned by the Council, with the Chief Executive, Leader of the Council and Executive Director Finance as Directors of the Company. The disposal of land owned by the Council at Solway Close to be purchased by the Company for the development of private housing for rent was also approved, with a budget of £4million being established from capital receipts from the sale of the Golf Course to provide a loan for the company to purchase the land.

Extensive legal advice was received from Trowers and Hamlins on potential options and governance models, and tax advice and a financial viability model was obtained from KPMG to inform decision making. A full risk assessment as part of the business case was developed and reported to Members.

It has been projected that the Council will earn a return to the General Fund from the Company from the following sources:-

- Debt interest charged to the Company on the planned loan from the Council - market interest rate will be applied to comply with state aid legislation;
- A return on equity invested (through dividends) which reflects profits back to the Council from the Company offering the properties for rent at market value; and
- The repayment of the loan over approx. 30 years.

Including projected land acquisition costs (generating a capital receipt for the Council) the projected start-up and construction cost for 20 dwellings is £3.6m which will be financed via a loan from the Council to the company of £1.7m (48%) and an equity investment as sole shareholder of £1.9m (52%).

The table below details the target returns to the Council's General Fund over the next three years. Beyond this, the Council will receive a steady inflation-linked income, plus debt repayment and asset growth. The financial viability model prepared by KPMG shows over a 30 year timeframe annual returns to the General Fund ranging from £160k to £231k.

<b>General Fund Returns</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£	£	£
Interest on loan (c 4.5%)	66,887	77,342	75,457
Dividends (c 4.5%)	0	41,358	34,078
Sub-Total (Revenue)	66,887	118,700	109,535
Debt repayment (capital receipt)	0	41,104	42,046
<b>TOTAL</b>	<b>66,887</b>	<b>159,804</b>	<b>151,581</b>
Return	3.90%	4.50%	4.30%

### **Future High Streets Fund**

The Government Future High Streets Fund was launched at the start of 2019 as part of a package of interventions aimed at improving Town Centres. Tamworth submitted its Expression of Interest (EOI) by the short deadline of March 22<sup>nd</sup> 2019. The EOI had to primarily focus on the story of the Town Centre and its need for this funding. The fund will grant between £5million and £25million to projects that will structurally transform Town Centres and meet local challenges. There was no requirement in the EOI to provide detailed projects, instead just provide short summaries of potential opportunities for which the funding could be used.

The £625 million fund had the following objectives:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm.
- Improvements to transport access, traffic flow and circulation in the area.
- Supporting change of use including (where appropriate) housing delivery and densification.
- Supporting adaptation of the high street in response to changing technology.

The key challenges articulated in the EOI for Tamworth Town Centre were:

- High levels of vacant properties (predominantly retail – 14.2%)
- Unbalanced housing, retail and office accommodation offer, above average number of retail units, below average number of offices and homes.
- Limited night time economy: poor food drink and evening leisure offer.
- General perception that the Town is a dated, unsafe and unattractive environment.

In July 2019 the first tranche of successful places were notified. Whilst Tamworth was not successful in the first tranche the Borough Council had instead been passported through to a second tranche, which had a start date of January 2020.

On August 27th 2019 the Council was informed that it had successfully been moved into tranche 2 of the fund project and would move directly to business case development stage. The Council must now deliver a full business case to Government, meeting the HM Treasury Green Book compliant, 5 stage process.

The timescales for delivering this process are as follows:

Requirement	Deadline
<b>Early first draft business case submission</b>	15 March 2020
<b>Full business case submission</b>	30 June 2020
<b>Announcement of successful places</b>	Summer/Autumn 2020

## Commercial and Industrial Property

The following table details the Council's current holding of commercial and industrial property.

INVESTMENT	VALUATION @ 31/03/19 £	INCOME 2018/19 £	RETURN %	VALUATION @ 31/03/19 £	ESTIMATED INCOME 2019/20 £	RETURN %
Amington Industrial Estate (ground rents)	6,531,250	301,950	4.62	6,531,250	305,720	4.68
Lichfield Industrial Estate (ground rents plus 1 leased plot)	2,947,000	125,692	4.27	2,947,000	124,700	4.23
Local Centre Shops	1,986,600	222,012	11.18	1,986,600	223,777	11.26
Misc Corporate Property	18,707,042	1,187,905	6.35	18,707,042	1,188,952	6.36
Sandy Way Industrial Units	2,420,550	287,659	11.88	2,420,550	284,858	11.77
Tamworth Business Centre	934,900	120,600	12.90	934,900	118,090	12.63
Town Centre Shops	1,563,752	131,782	8.43	1,563,752	141,632	9.06
<b>Total</b>	<b>35,091,094</b>	<b>2,377,600</b>	<b>6.78</b>	<b>35,091,094</b>	<b>2,387,729</b>	<b>6.80</b>

The corporate asset management strategy report prepared by Ridge in October 2015 indicated estimated costs of maintenance over 10 years of £3.288m for non-operational commercial property and £1.861m for non-operational retail property.

The above assets currently deliver a return for the Council and assist in balancing the MTFS. The capital programme includes £75k p.a. to ensure Industrial properties are compliant with the Energy Act and have Energy Performance Certificates as with effect from April 2018 it will not be possible to enter into long term lease agreements for commercial and industrial units with an EPC rating of 'E' or less. Many of our units fall into this category and will require a degree of improvement once they become vacant in order to relet-

The Council also has a Building Repairs Fund of c.£400k p.a. which should be included in the planned approach to asset management.

A disposals policy is in place at the Council, however there is currently no plan or strategy to manage those assets which may be surplus to requirements/do not generate a return. It is recognised that the following action needs to be taken and work has started during 2019/20 but needs to progress in 2020/21, informed by the results of the Stock Condition survey and updated Asset Management plan:-

- 1) Corporate asset viability model to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated**
- 2) The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate**
- 3) Risk register around corporate asset management to be developed**
- 4) Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented**
- 5) A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards.**

## **KNOWLEDGE AND SKILLS**

Treasury Management staff are either AAT or CCAB qualified and the three CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Link Asset Services are currently contracted to provide treasury management advice and guidance, and have also been engaged to provide other one-off pieces of work, eg. property funds review in early 2018 and guidance/review of the draft Capital Strategy in December 2018.

Training for Members with regard to treasury management is undertaken on a regular basis, most recently in November 2019. In February 2018, there was also a presentation to Members from Link Asset Services with regard to our investments in property funds.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc.

The Council also procures expert advice and assistance such as financial and legal advice as and when required.

## CAPITAL PROGRAMME 2019/20 – 2023/24

Following a review of the Capital Programme approved by Council on 26<sup>th</sup> February 2019, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix H – General Fund (GF) and Appendix I – Housing (HRA)**, together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£35k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2019/20 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with initial comments & suggestions for each of the schemes outlined below.

### General Fund

A significant increase in net funding has been proposed which means that insufficient resources are available to finance all of the GF schemes submitted therefore, should the schemes progress either:

- 1) the Council would need to use supported borrowing to fund the shortfall – funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2 to 3% p.a. plus debt repayment costs of 4% p.a. (based on a 25 year asset life); or
- 2) the potential use of part of the capital receipt from the Golf Course sale – which would mean the resources would no longer be available for investment through the Commercial Investment Strategy projects (and therefore impact on the revenue account through loss of potential investment income at c.4% p.a.); or
- 3) Fund the spend from revenue through a direct contribution to the capital programme.

The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean over **£2.7m in borrowing would be needed (or use of the capital receipt) over the next 5 years (£1.8m over 3 years, £2.3m over 4 years)**. The provisionally approved programme assumed borrowing of £1m over 3 years (£1.8m over the 4 years to 2023/24).



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**1) Technology Replacement – Infrastructure upgrade/Network Security/Refresh of Thin Clients**

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***Project Score: 72***

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A capital submission had been prepared for £60k.p.a. for ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with agreed device lifecycles. The Council is also on a journey towards to digital self service for customers and demand for flexible resilient and available ICT services to support this requires continued investment into the Authority's hardware and associated software. External factors including legislative requirements from central government in the guise of the Public Sector Network (PSN) Code of Connection, *and the increase in required investment into cyber security to keep the councils network secure and available means continued investment is essential.* It should be noted that corporate applications are excluded from this schedule of planned work.

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A one off £60k budget was approved for 2019/20 as there was an expectation that budgets from 2020/21 onwards would be informed by the conclusions of the priority review and ICT Strategy (including a detailed breakdown of the proposed spend).

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**2) Member Device Refresh**

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***Project Score: 84***

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A new capital submission had been prepared for potential spend of £20k in 2020/21.

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The majority of members devices are now approaching 5 years old. In line with our hardware replacement policy many are due for refresh to ensure continued reliability, compliance and fit for purpose technology to support member duties.

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**3) Endpoint Protection and Web-Email Filter**

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***Project Score: 60***

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A new capital submission had been prepared for potential spend of £40k in 2020/21 (& £40k in 2023/24).

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Our 3 year contracts for Endpoint Protection covering Anti Virus, Anti Malware and Encryption and the contract for Web and Email filtering expire in Oct 2020. Currently these are all provided under one agreement with Sophos but a procurement exercise will be required to either replace or renew these contracts.

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**4) Major repair to Castle Elevations**

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***Project Score: 8***

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A new capital submission had been prepared for potential spend of £250k in 2020/21 and £150k in 2021/22 for major repairs to castle elevation walls, roof areas and walkways.

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**5) Asset management Database**

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A policy change has been received for Condition Surveys (Revenue) and an Asset Management database (Capital - £150k) to support the refresh of the Council's Asset Management Strategy.

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At present the Council holds very limited condition data on its non-housing assets and the information that is held has not been refreshed in a number of years. Repairs and investment budgets are currently set based on available funds as opposed to the investment requirements. Collecting accurate data and holding it a database which is updated regularly combined with financial modelling of performance data will allow the Council to make informed decisions on the future of its assets.

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**6) Castle Lighting**

A new capital submission had been prepared for potential spend of £40k in 2020/21 to restore the castle as a landmark and refresh its noticeability along with giving Tamworth the ability to join in with national and international special occasions. The project is both a heritage and Tamworth promotional tool.

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**7) With regard to the provisional programme:**

**a) Disabled Facilities Grants (DFG)**

The provisional programme included £650k p.a. part funded by redistributed Better Care Fund (BCF) grant of £400k.

The £250k p.a. net funding needs to be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.

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**b) CCTV Upgrades**

Following approval of the Shared Service, Capital budgets of £45,714 p.a. have been included from 2021/22 – part funded by OPCC grant of £24k p.a. A capital investment of £197,534 is required to be part funded by a reduction in the Invest to save capital contingency budget of £140k (in 2019/20) and OPCC grant of £24k.

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**c) Street Lighting**

An updated appraisal has not been prepared – following inclusion of a rolling programme with an annual spend required from 2016/17. The Council has its own stock of street lighting across the borough, mainly in housing areas and other communal parts such as play areas and car parks. The street lighting assets are inspected and maintained by Eon on behalf of the Council under the terms of Staffordshire County Council PFI contract with Eon. Eon have produced a replacement street lighting programme which spans 40 years and includes the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programme based on providing more efficient low energy lighting heads. The profile has been amended to reflect the HRA related element of the costs.

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**d) Energy Efficiency Upgrades to Commercial & Industrial Units**

An updated appraisal has not been prepared following inclusion of a rolling programme with an annual spend of £75k required from 2017/18 for 5 years.

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To fund a degree of improvement to industrial units when they become vacant in order to be able to re-let them – as, with effect from April 2018, it will not be possible to enter into long term lease agreements for commercial and industrial units with and EPC rating of 'E' or less.

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Depending on void levels, we could expect to lose around £20k p.a. increasing by £20k p.a. for the next 5 years (c.£300k over 5 years).

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If we are able to let on License or Tenancy at Will arrangements we may be able to maintain a level of income but there will be an increase in other costs such as NNDR payments, repair costs, security costs and the like.

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Investment in enveloping works to improve energy efficiency will prolong the life of the estate at the current rent levels but ultimately Sandy Way phase 2 will require a more significant investment project to give a long life expectancy.

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**e) Gateways Project**

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An updated appraisal has not been prepared following inclusion of £70k p.a. for 3 years from 2018/19 (net cost after use of TBC S106/CIL funds of £75k, £50k and £120k respectively) with plans for significant capital works in future years for Phase 3 Corporation Street and Phase 4 Railway Station forecourt - which will draw in funding and professional support from SCC (funded by SCC through the Regional Growth Fund / S106 receipts).

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**f) Replacement Castle Grounds Play Area**

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An updated appraisal has not been prepared following inclusion of £375k for 2021/22.

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**8) General Fund Capital Contingency Budget**

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The remaining 2019/20 contingency budget of £35k will be rolled forward to 2020/21.

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## **Housing**

The proposed 5 year Housing Capital Programme is attached at **Appendix I**.

The majority of the Housing capital programme has not changed from that provisionally approved – however a number of new schemes have been proposed. It has also been updated to include the new year 5 costs for 2024/25 (at the same level as 2023/24).

Without amendment, the current proposals would require an additional revenue contribution of £0.4m. It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £68.041m (as at 31<sup>st</sup> March 2019) with planned borrowing of £7.214m relating to the Tinkers Green and Kerria Regeneration projects. Due to receipt of Homes England grant of c.£5m, it is likely that this planned borrowing will be reduced to c.£2m.

The programme includes plans to fund the development or acquisition of new dwellings to utilise all of the 1 for 1 capital receipts to avoid potential repayment (funding 30% of the total cost) with the balance representing the Council's 70% contribution.

The capital programme has been reviewed and updated:

### **Housing Revenue Account**

#### **1) Improvements to Retained Garage Sites**

##### ***Project Score: 12***

A new capital submission had been prepared for potential spend of £700k p.a. for the refurbishment of garage sites identified for retention by Members. (*£500k p.a. for the 2 years 2018/19 & 2019/20 had previously been included to invest in retained garages to meet demand and to provide alternative uses including parking areas*).

Whole Life Costing – the notional life for a modular garage and the surrounding parking areas is 25 years as such there will be two full renewals over a 30 year period. Taking into account inflationary impacts it is anticipated that in order for the project to break even through rental income there would need to be a sustained level of occupancy in excess of 90% (93%). Once occupation rates fall below this the scheme no longer breaks even over the 30 year period. At 80% occupancy there is a deficit of £1.3m, at 50% occupant the deficit would in the region of £4.5m over the 30 year period.

#### **2) Installation of Fire Doors To High Rise Blocks**

##### ***Project Score: 36***

A new capital submission had been prepared for potential spend of £1.545m in 2020/21 for the Installation of new fire doors to flats and common areas of the 6 high-rise blocks and Eringden.

Income of £85k from service charge recharge to Leaseholders will reduce the cost to £1.46m.

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**3) Software to manage fire safety surveys**

A policy change has been received for Fire Safety in High Rise Residential Buildings in response to the Governments proposals around 'Building a Safer Future' including Software to manage fire safety surveys (Capital - £90k).

This is a direct response to the 'Building a safer future' legislation being introduced by the Government. This goes much further than current legislation relating to fire safety in buildings and is much more prescriptive than the current legislation.

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**With regard to the changes to the provisional programme:**

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**a) Re-development of Garage Sites / Other Acquisitions**

Funding of £2m p.a. from 2020/21 had been provisionally approved for redevelopment of Garage Sites for housing with funding of £0.5m p.a. for housing acquisitions.

These have been combined to form a **Regeneration and New Affordable Housing** budget of £2m for 2020/21 with a further £1.75m p.a. thereafter.

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**CAPITAL STRATEGY ACTION PLAN**

**ANNEX B**

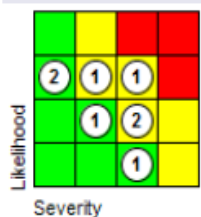
<b>REF</b>	<b>ACTION</b>	<b>RESPONSIBILITY</b>	<b>TIMESCALE</b>
1	The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration is given to whole life costs of schemes; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.	S Garner/L Pugh/Asset Strategy Steering Group	Oct-2020
2	The Asset Management Strategy to be reviewed and updated. An up to date stock condition survey should be commissioned, to feed into the Asset Management Plan. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.	P Weston	Oct-2020
3	Corporate asset viability models to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated	L Pugh/P Weston/J Goodfellow/Asset Strategy Steering Group	Commence October 2019 - ongoing
4	The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate	Asset Strategy Steering Group	Commence October 2019 - ongoing
5	Risk register around corporate asset management to be developed	P Weston	June-2020
6	Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented	P Weston/L Pugh/J Goodfellow	Commence October 2019 - ongoing
7	A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards	P Weston/L Pugh/J Goodfellow	Commence October 2019 - ongoing

Corporate Capital Strategy Risk Register



Generated on: 07 December 2019

Current Risk Matrix



Code	Title	Assessment Code and Title	Trend	Status	Date Reviewed
CSRR1920_001	Risk of not identifying capital requirements	6 serious-unlikely	↓	⚠	01-Jul-2019
CSRR1920_002	Risk of insufficient funds to meet capital needs	9 serious-likely	↓	⚠	01-Jul-2019
CSRR1920_003	Risk of inadequate resources to deliver capital programme	6 serious-unlikely	↓	⚠	01-Jul-2019
CSRR1920_004	Risk of significant budget re-profiling/timescales slipping	6 significant-likely	↓	⚠	29-Aug-2019
CSRR1920_005	Risk of significant overspends	3 serious-very unlikely	↓	✅	01-Jul-2019
CSRR1920_006	Risk of investment under-performing and income falling	4 significant-unlikely	↓	✅	01-Jul-2019
CSRR1920_007	Risk of inadequate PIR/required outcomes of a capital scheme not achieved	3 minor-likely	↑	✅	29-Nov-2019
CSRR1920_008	Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatment	3 minor-likely	↓	✅	01-Jul-2019

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# Community Impact Assessment

## Part 1 – Details

<p>What Policy/ Procedure/ Strategy/Project/Service is being assessed?</p>	<p>Statutory requirement to prepare a budget, set the Council tax and rent for the following financial year.</p> <p>The report incorporates the Corporate Vision &amp; Corporate Priorities of the Authority which are reflected within the Budget 2020/21 &amp; Medium Term Financial Strategy (Revenue &amp; Capital). The Corporate Vision &amp; Corporate Priorities are clear and accessible by stating what we aim to achieve, how we will do it and the resources we will use to support these aims.</p> <p>The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).</p> <p>More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.</p> <p>The Vision is focused on longer term, aspirational goals of the Council. The Corporate Priorities identify, in the short to medium term, the key areas for improvement which will change in future years as the Council realigns to local aspirations, central government policy and its performance.</p> <p>The budget and associated forecast will ensure that appropriate resources are focussed on areas we have identified as priorities.</p>
<p>Date Conducted</p>	<p>February 2020</p>
<p>Name of Lead Officer and Service Area</p>	<p>Stefan Garner, Executive Director Finance</p>
<p>Commissioning Team (if applicable)</p>	<p>N/A</p>

Director Responsible for project/service area	Stefan Garner, Executive Director Finance	
Who are the main stakeholders	Local residents / customers Members Partners (Local Businesses, Voluntary Organisations, other public sector bodies, other stakeholders) Tamworth Strategic Partnership	
Describe what consultation has been undertaken. Who was involved and what was the outcome	<p>The Budget and Priorities were informed through consultation with the people of Tamworth. This included feedback from The State of Tamworth Debate, responses arising from the Tamworth Listens consultation &amp; customer feedback.</p> <p>Budget Consultation feedback reported to Cabinet 7<sup>th</sup> November 2019.</p> <p>Tenants Consultative Group – informed HRA business plan &amp; associated budgetary implications.</p> <p>Members – prior to approval by Cabinet/Council (Budget Workshop 9<sup>th</sup> January 2020, Joint Scrutiny Committee 29<sup>th</sup> January 2020);</p>	
Outline the wider research that has taken place (E.G. commissioners, partners, other providers etc)	<p>The budget consultation is carried out through 3 online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector.</p> <p>The online residents survey is promoted using social networking/media sites and through email contact databases. The business survey is promoted through business social networking sites and business email contact databases. The voluntary and community sector survey is promoted through email contact databases.</p>	
What are you assessing? Indicate with an 'x' which applies	A decision to review or change a service	<input type="checkbox"/>
	A Strategy/Policy/Procedure	<input checked="" type="checkbox"/>
	A function, service or project	<input type="checkbox"/>
What kind of assessment is it? Indicate with an 'x' which applies	New	<input type="checkbox"/>
	Existing	<input type="checkbox"/>
	Being reviewed	<input checked="" type="checkbox"/>

	Being reviewed as a result of budget constraints / End of Contract	<input type="checkbox"/>

## Part 2 – Summary of Assessment

Give a summary of your proposal and set out the aims/ objectives/ purposes/ and outcomes of the area you are impact assessing.

Sound procedures / strategy in place

Financial governance, accountability & steward ship

Compliance with legislation – Council tax, rent and revenue & capital programme set

Based on informed feedback from interested parties / focus groups (Tamworth

Listens Consultation, Tenants Groups etc.)

The way the Council prepares and monitors its budgets (including professional standards and statutory timetables) is one of the external auditors key lines of enquiry in assessing the Council's performance under their annual VFM assessment.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. (In the Executive Director Finance's view, the budget proposals include estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. In his view, the level of reserves remains adequate for the Borough Council based on this budget and the circumstances in place at the time of preparing it.)

Who will be affected and how?

Local residents / customers

Members

Partners (Local Businesses, Voluntary Organisations, other public sector bodies, other stakeholders)

Through continued service provision

Are there any other functions, policies or services linked to this impact assessment?

Yes

No

If you answered 'Yes', please indicate what they are?

Corporate Capital Strategy & Asset Management Plan (Separate CIA)

Treasury Management Strategy & Prudential Indicators (Separate CIA)

## Part 3 – Impact on the Community

Thinking about each of the Areas below, does or could the Policy function, or service have a direct impact on them?

Impact Area	Yes	No	Reason (provide brief explanation )
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p align="center"><b>None directly arising from the MTFS but through associated actions, strategies and plans (separate EIAs completed) – informed by budget consultation process</b></p>
Disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Gender Reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Marriage & Civil Partnership	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Pregnancy & Maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Race	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Religion or belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sexual orientation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sex	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Gypsy/Travelling Community	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those with Caring/Dependent responsibilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those having an offending past	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Children	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Vulnerable Adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Families	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those who are homeless	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those on low income	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those with Drug or Alcohol problems	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those with Mental Health issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Those with Physical Health issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Other (Please Detail)	<input type="checkbox"/>	<input type="checkbox"/>	

#### Part 4 – Risk Assessment

From evidence given from previous question, please detail what measures or changes will be put in place to mitigate adverse implications

Impact Area	Details of the Impact	Action to reduce risk
<i>Eg: Families</i>	<i>Families no longer supported which may lead to a reduced standard of living &amp; subsequent health issues</i>	<i>Signposting to other services. Look to external funding opportunities.</i>
None directly arising from the MTFS but through associated actions, strategies and plans (separate EIAs completed) – informed by budget consultation process.		

**Part 5 - Action Plan and Review**

Detail in the plan below, actions that you have identified in your CIA, which will eliminate discrimination, advance equality of opportunity and/or foster good relations.

**If you are unable to eliminate or reduce negative impact on any of the impact areas, you should explain why**

Impact (positive or negative) identified	Action	Person(s) responsible	Target date	Required outcome
	<b>Outcomes and Actions entered onto Pentana</b>			

Date of Review (If applicable) .....

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