N0N-CONFIDENTIAL

Borough of Tamworth

14 February 2022

Dear Councillor

You are hereby summoned to attend a **meeting of the Council of this Borough** to be held on **TUESDAY, 22ND FEBRUARY, 2022** at 6.10 pm in the **THE AUDITORIUM - ASSEMBLY ROOMS, CORPORATION STREET, TAMWORTH, B79 7DN**, for the transaction of the following business:-

AGENDA

NON CONFIDENTIAL

1 Apologies for Absence

2 To receive the Minutes of the previous meeting (Pages 3 - 16)

3 Declarations of Interest

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 To receive any announcements from the Mayor, Leader, Members of the Cabinet or the Chief Executive

5 Question Time:

(i) To answer questions from members of the public pursuant to Procedure Rule No. 10.

(ii) To answer questions from members of the Council pursuant to Procedure Rule No. 11

6 Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2022/23 (Pages 17 - 200)

(Report of the Leader of the Council)

7 Recommendations from the Infrastructure Safety & Growth Scrutiny Committee - Fireworks (Pages 201 - 202)

(Report of the Chair of the Infrastructure Safety & Growth Scrutiny Committee)

Yours faithfully

CHIEF EXECUTIVE

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found here for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat.

FAQs

For further information about the Council's Committee arrangements please see the FAQ page here

Marmion House
Lichfield Street
Tamworth

MINUTES OF A MEETING OF THE COUNCIL HELD ON 14th DECEMBER 2021

PRESENT: Councillor M Oates (Mayor), Councillors M J Greatorex, D Box, J Chesworth, R Claymore, T Clements, D Cook, M Cook, S Doyle, A Farrell, R Ford, S Goodall, J Harper, T Jay, D Maycock, K Norchi, J Oates, S Peaple, Dr S Peaple, R Pritchard, S Pritchard, R Rogers, M Summers and P Thurgood

The following officers were present: Andrew Barratt (Chief Executive), Stefan Garner (Executive Director Finance), Nicola Hesketh (Monitoring Officer) and Tracey Pointon (Legal Admin & Democratic Services Manager)

35 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M Bailey, A Cooper and B Price

36 TO RECEIVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 21st September 2021 were approved and signed as a correct record.

(Moved by Councillor Dr. S Peaple and seconded by Councillor J Oates)

37 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

38 TO RECEIVE ANY ANNOUNCEMENTS FROM THE MAYOR, LEADER, MEMBERS OF THE CABINET OR THE CHIEF EXECUTIVE

The Chief Executive Mr Andrew Barratt made the following announcement I just want to inform Council formally that on 2nd December I received the resignation with immediate effect from Mr Paul Brindley.

The Leader - Councillor Jeremy Oates made the following announcement It has been nearly 7 months since the Council AGM and I've worked with the Cabinet since then. During that time I have watched the Cabinet members working, listened to their interests and looked at the skills and what they bring to

the table. Also during that time a number of the projects and pieces of work we are doing as a Council have changed in terms of their stage and where we are at with those. With this in mind Mr Mayor I have made some changes to the Cabinet and the Cabinet's responsibilities, which will come in effect on 15th December 2021. A copy has been passed to the Leader of the Opposition and the Chief Executive has been informed of the changes.
The Leader's portfolio there are some minor amendments which move Member and Democratic Services into that Portfolio and there is the removal of Corporate Risk from the leader and delegated to the Portfolio Holder for Finance, Risk & Customer Services. You will see Mr Mayor that Reset & Recovery now refers to all Cabinet Members being on the board and responsible for their relevant elements. I would also ask the Chief Executive to make the necessary amendments to the outside bodies list to reflect the portfolio changes.

Updated Portfolio Holder's

Leader of the Council **Cllr Jeremy Oates**	
Portfolio	**A.D.**
Business Continuity	**AD Assets**
Emergency Planning	**A.D. Neighbourhoods**
MTFS	**A.D. Finance**
Organisational Development inc HR & Payroll	**A.D. People**
PR / Comms / Corporate Consultation	**A.D. People**
Marketing	**A.D. People**
Member Development & Democratic Services	**E.D. Organisation**
Partnership Development	**A.D. Partnerships**
Corporate Assessments	**C.E.O.**
WMCA Member	**A.D. Growth**
Local Enterprise Partnerships (LEP's)	**A.D. Growth**
Performance	**A.D. People**
Lead for Climate change & Green Agenda	**AD Growth**
Reset and Recovery programme - Cabinet members form the board & responsible for each element	**ED Communities**
FHSF	**AD Growth**
Town Centre Regeneration	**A.D. Growth**
Town Centre Master-planning	**A.D. Growth**
Finance, Risk and Customer Services **Cllr Marie Bailey**	

Portfolio	A.D.
Property Management Investment	A.D. Assets
GF Repairs	A.D. Assets
Commercial Property Portfolio	A.D. Assets
Asset Management	A.D. Assets
Revenues & Benefits	A.D. Finance
Treasury Management	A.D. Finance
Finance	A.D. Finance
Procurement	A.D. Finance
Audit & Governance	C.E.O.
Corporate Risk Management	A.D. Finance
Land Charges/Legal/Right To Buy	E.D. Organisation
FHSF Finance and Risk - including seat on the FHSF board	AD Growth
Customer Services and insight	A.D. People
Information Mgt/GDPR/Ombudsman	A.D. People
Techology	A.D. People
Climate change & Green issues, ethical procurement	AD Growth
Corporate Risk Management	A.D. Finance
Reset and Recovery programme - Cabinet members form the board & responsible for each element	ED Communities

Voluntary sector, Town Centre, Evening economy & Community Safety

Cllr Danny Cook

Portfolio	A.D.
Town Centre Relationships	A.D. Growth
Evening economy	AD Grwoth
Electric vehicle strategy and wider provision	AD Growth
Voluntary Sector	A.D. Partnerships
Environmental Health (all disciplines)	AD Growth
Licensing Policy	AD Growth
Corporate Health & Safety	AD Ops & Leisure
Taxi Licensing	AD Growth
PCC Engagement	A.D. Partnerships
Community Safety	A.D. Partnerships
Corporate ASB Strategy	A.D.Neighbourhoods
Safeguarding	A.D. Partnerships
E H Enforcement	AD Growth

Community Wardens	**AD Neighbourhoods**
CCTV	**AD neighbourhoods**
Reset and Recovery programme - Cabinet members form the board & responsible for each element	**ED Communities**
Climate change & Green Agenda	**AD Growth**
Skills, Planning, Economy & Waste **Cllr Stephen Doyle**	
Portfolio	**A.D.**
Local Plan Development/Implementation	**A.D. Growth**
Development Control (Planning)	**A.D. Growth**
Building Control (Planning)	**A.D. Growth**
Conservation (planning)	**A.D. Growth**
Heritage Assets - maintenance, upkeep	**A.D. Growth**
Dry Recycling Disposal Contract	**C.E.O**
Waste Management	**C.E.O**
Joint Waste Board with LDC.	**C.E.O**
Economic & Business Development	**A.D. Growth**
General Regeneration opportunity	**A.D. Growth**
Education / Educational Attainment	**A.D Growth**
Career Skills and Training	**A.D Growth**
Reset and Recovery programme - Cabinet members form the board & responsible for each element	**ED Communities**
Climate change & Green Agenda	**AD Growth**
Environment, Entertainment and Leisure **Cllr Robert Pritchard**	
Portfolio	**A.D.**
TIC	**A.D. Growth & A.D. People**
Litter/Car parking Enforcement	**A.D. Partnerships**
Street Scene / Tamworth in Bloom	**A.D. Op's & Leisure**

Cemeteries	**A.D. Op's & Leisure**
Community Leisure / Sport	**A.D. Op's & Leisure**
Public Toilets	**A.D. Assets**
Nature Reserves, Parks and Play	**A.D. Op's & Leisure**
Entertainment - Assembly Rooms, Castle Operations, Outdoor events, Arts, Culture, Heritage experience, Street Markets	**A.D. Op's & Leisure**
Sports Development	**A.D. Op's & Leisure**
Tourism / Destination Tamworth	**A.D. Growth**
Reset and Recovery programme - Cabinet members form the board & responsible for each element	**ED Communities**
Town Centre Car Parks	**A.D. Growth**
HRA Green Spaces and Neighbourhoods	**A.D. Op's & Leisure**
Climate change & Green Agenda	**AD Growth**
Homelessness Prevention and Social Housing **Cllr Alex Farrell**	
Portfolio	**A.D.**
Chairman of Shadow Housing Committee	
HRA Repairs standards /performance	**A.D. Assets**
HRA Business Planning	**ED Communities**
HRA Regeneration	**A.D. Assets**
Tenant Regulation / enforcement	**A.D. Neighbourhoods**
HRA Community contribution	**A.D. Neighbourhoods**
Homelessness Prevention	**A.D. Neighbourhoods**
Private Rental Sector (including private sector enforcement)	**A.D. Partnerships**
HRA communal buildings	**A.D. Assets**
Social Landlord Providers	**A.D. Neighbourhoods**
HRA Strategy	**A.D. Neighbourhoods**

Disabled Facilities Grants and Disabled Facilities Adaptations	**A.D. Assets**
Reset and Recovery programme - Cabinet members form the board & responsible for each element	**ED Communities**
Climate change & Green Agenda	**AD Growth**

39 QUESTION TIME:

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 1

Under Procedure Rule No 10. Mr Huw Loxton, of Tamworth will ask the Leader Of the Council, Councillor J Oates, the following question (in his absence the Chief Executive read the question out):-

In July 2020 the Audit and Governance Committee decided to proceed with the process to appoint up to two independent members to the said committee.

Could you please provide an update of what steps have been taken since then to appoint said independent members, what is currently being done, and the timescale for when those appointments will be made?

Councillor J Oates gave the following reply –

This question relates to the decisions of Audit and Governance committee which operates independently of the cabinet and so decision and process of recruitment of independent members sits with that committee. I will make the request of the chairman of that committee to write to Mr Loxton with an answer.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 1

Under Procedure Rule No 11, Councillor Dr. Simon Peaple will ask the leader of the Council, Councillor Jeremy Oates, the following question:-

“As the GBSLEP’s latest report shows that unemployment in Tamworth is the highest amongst Staffordshire districts and rising; what is Tamworth Borough Council going to do to assist local people to find work.”

Councillor J Oates gave the following reply-

Whilst the report you refer to was accurate at the time the latest updated figures show unemployment is falling. Unemployment and universal credit claimant rates in Tamworth are dropping, with both being below West Midlands and Great Britain averages. Based on experience from the previous challenges. Tamworth traditionally has high levels of unemployment initially but recovers quickly. Indications seem to show this is the case currently, with Tamworth having the third best improvement in uc claimant numbers in Staffordshire based on October 2021 figures.

Unemployment: Tamworth currently estimated to be around 4.0% of economically active, WM 5.4%; GB 5.0%

Universal credit: Tamworth currently 4.5%, WM 5.9%, GB 4.8%
Dropped from 6% in October 2020 – approx. 700 people difference.

With regards assisting local people to find work, the Borough currently plays a significant coordinating role in ensuring partners with responsibility for this area of work are connected, in particular Job Centre plus; Employment Skills Board – both LEPs; agencies directly contracted with the Department of Work and Pensions.

Funded by the GBSLEP until end of March 2022 Tamworth Borough Council provide an officer to support the operation of the Southern Staffordshire Employment & Skills Board. This board comprises leading individuals from business, local authorities, education and training providers with a purpose of identifying skills and employment opportunities, ultimately aiming to reduce unemployment within our area.

The board joins up the relationships between employers, schools, colleges and all stakeholders involved in skills and employment throughout our area.

Playing a central role in this board, allows TBC to directly identify opportunities, connect opportunities for jobs and training to local businesses, build key relationships with stakeholders and get intelligence on local activity and employment trends.

The officer leading this project regularly passes on and promotes relevant employment / training opportunities to partners and businesses that lead to employment. They also attend the local Employment Action Group which brings together very localised stakeholders that focus purely on Tamworth.

Jobs 22 recently opened in Ankerside, as part of 3 year project to proactively support those furthest from the labour market back in to work. Through the TBC employed Skills Officer, the Council is able to actively promote this activity and support Jobs 22 with local intelligence and connections in order to make the most impact.

TBC are also part of the Mercia Park Employment Action Group for the Mercia Park development at Junction 11 of the M42 and through the Employment and Skills Board, they have promoted opportunities such as:

- a Recruitment Fair
- training opportunities that have been running at the site
- encouraging local schools and colleges to make use of free facilities so that local students can get a feel for what it's like to work on a construction site.

I appreciate you would not have previously been aware of the cabinet changes I have just made so I will re iterate. Skills now features in the Skills, Planning, Economy and Waste Portfolio with a direction to push the skills, especially NVQ level 3 equivalent for post 16's.

Councillor Dr S Peaple asked the following supplementary question -

Would the Leader agree with me that if he wants to answer a question about what the council is going to do then it would be better to focus on that, would it also be better to focus on unemployment? The stats that I quoted were only a week and half old from their publication so I'm not sure how easy it is to know what else we can judge it by on this claimed drop in UC (Universal Credit) claimants which is a very different thing to whether people are back in work properly. So can I ask the Leader in future to ask officers of the Council what they can do, for example by increasing the amount of local value put into council contracts, which as not happened enough in the past we were told it was down to Europe and now it isn't so can you pick up on that and other methods for finding the best possible routes for giving people work experience because one of the biggest hurdles is that they haven't got work experience to demonstrate and the council could do more to do that so I ask him to arrange to see me to discuss those ideas.

Councillor J Oates gave the following reply-

As Councillor Peaple knows I am happy to meet him and discuss matters. The figures I refer to are actually dated on the 13th so these are figures that came out yesterday so that is the latest update.
In terms of what we can do directly as a council and local value, Council Peaple refers to the procurement rules that we operated with particularly when we were part of Europe. Members will be aware that the Future High Street fund project does have a number of targets in there for local value in terms of tendering and in terms of the construction part of the project that the local value does appear in those terms and in that offer, so we have listened and we have built that in to that particular project, I am more than happy to meet Cllr Peaple and we can have that discussion.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 2

Under Procedure Rule No 11, Councillor Dr. Simon Peaple will ask the Leader of the Council, Councillor Jeremy Oates, the following question:-

Following his announcement today (Thursday), that Tamworth Borough Council is supporting the bid for a County Deal for Staffordshire, would the Leader of the

Council explain to members what evidence he has that this will enhance the delivery of services for Tamworth residents?"

Councillor J Oates gave the following reply-

Thank you Councillor Peaple for your question on this exciting matter.
This is not just about delivery of services this is about tackling wider maybe even national issues that effect Tamworth.
This County Deal is in its very early stages but is about Collaboration. We have a track record to prove how we already work well together.

- Covid-19– our unified response along with community groups protected the most vulnerable and supported those in need locally, Notable successes include supplying food to the most vulnerable in our communities, PPE support to care providers, targeted action in hotspot areas, from vaccinations in mosques, to testing migrant workers on fruit farms
- Creating jobs and opportunities –Supporting businesses and our economy to recover from Covid, through a countywide package of support– Staffordshire Means Back to Business.
- Town Centre regeneration –reimagining and reshaping our High Streets and Town Centres through the Future High Streets Fund and Towns Fund.
- Waste – we can proudly boast zero waste to landfill in Staffordshire thanks to our strong Waste Partnership. The Partnership has led local efforts to reduce waste, and maximise reuse, recovery and recycling. It has also, through joint procurement exercises, produced significant efficiencies and economies of scale across Staffordshire.

This track record, and the solid foundations in place across our two-tier system, mean Staffordshire is perfectly positioned to turn central government's Levelling Up agenda into reality.

If I may Mr Mayor I would like to add a couple of points.
This deal is about keeping our two tier structure, building an argument against and blocking an unitary suggestion, whilst keeping sovereignty of our decisions at Tamworth, this is about additionality with a unified offer to call upon government and draw down extra powers and funding as the levelling up white paper and devolution white paper (sometime next year). The additional areas we would like to target are

Staffordshire County Deal – Proposed Focus
We believe a County Deal should not be a one-off bid, but the start of a new, ongoing dialogue with central government, that builds on Staffordshire's strengths, and addresses national challenges at a local level. We believe a County Deal will accelerate our ambitious programme, improve public services and deliver excellent returns for both the people of Staffordshire and the UK. We are proposing that we focus our County Deal on the following priorities:

- Climate Change – The UK has set its ambition as an international leader in Climate Change; with further powers and funding, we can accelerate our plans, and place Staffordshire as a leading location for the green economy.

- Social Care Workforce – Nationally and locally, we are facing a crisis in recruiting and retaining social care staff. We want to use devolved powers and funding to help us produce an exemplar, in order to recruit, develop and retain more staff, improve care and ease pressure on the NHS.

• Logistics – UK supply chains are fragile and disjointed. Our central location, excellent transport links, and existing strengths in the sector, means we are already a national centre for logistics, but we believe this sector can offer more to our local and national economy. Bringing all of the instruments at our disposal to bear, along with devolved powers and funding, will allow us to further grow develop the sector and support our logistics sector to be innovative, cleaner, greener and higher value.
Key powers we are seeking from central government, to allow us to achieve the above, include:
• Access to a single, devolved investment fund for growth, that is managed and delivered locally
• Devolved powers and funding for the post 16 skills agenda
• Responsibility for a single devolved transport budget, and powers to develop an integrated transport network

Councillor Dr S Peaple asked the following supplementary question -

Can I thank the Leader for his detailed response. Councillor Jeremy Oates and I share the view that a two tier well worked system is actually the right one and I wanted the council as a whole to hear what the issues are about. Would he therefore take back to the Leaders meeting that Tamworth and the other borough's/districts will be keeping a close eye on what this means because what we want is real opportunities to deliver more for the local people as we so eloquently spoke about earlier on and in particular I am keen to see that the skills agenda that's been devolved to mayoral authorities will also get devolved here and therefore give us the chance to address the needs of local people not on some one size fits all basis but on the basis of local need and I have asked the leader to take those points back as this will be debate that goes on longer than tonight but I wanted the issues out there. So can I thank the Leader and ask him to take those points there.

Councillor J Oates gave the following reply-

Thank you Mr Mayor whilst I welcome the progress and discussions on the County Deal I am always the first to jump up at the Leaders and Chief Executive meeting if I am not happy with something or if I feel there is a suggestion that this would take anything away from us as a Borough Council in Tamworth or any of the other Districts. Yes I am more than happy to feedback particularly as Councillor Peaple as asked me these questions in public and therefore it's not just about the Leaders in the room it's about the rest of the Council's and other elected members keeping an eye on things and making that challenge.

In reference to the specific point around skills there a number of priorities that the County Deal focusses on Climate change, Social Care workforce and Logistics but the key powers from Government that we are currently seeking is to allow us access to devolved investment funds for growth, devolved powers for funding for post 16 skills and this is the one that Councillor Peaple raised. This is for us is about being able to behave and compete on an even keel with elected Mayors and MET's and those who have devolved powers. The other responsibility that we are particularly pushing for in terms of seeking powers is the responsibility for single devolved transport budget and powers to develop integrated transport networks. The whole thing for us is about having a Staffordshire County and District offer that rivals the Manchester's, Birmingham's of the world in terms of the powers that they have available to them and we believe we should have those powers available to us rather than Whitehall making the decisions and telling us how transport should work in Staffordshire

40 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2021/22

Report of the Portfolio Holder for Finance and Customer Services to present to Members the Mid-year Review of the Treasury Management Strategy Statement and Annual Investment Strategy.

RESOLVED: That Council

approved the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2021/22.

(Moved by Councillor R Pritchard and seconded by Councillor D Cook)

Council congratulated the Officers for compiling the report.

41 LOCAL COUNCIL TAX REDUCTION SCHEME 2022/23

Report of the Portfolio Holder for Finance and Customer Services to advise members that the Local Council Tax Reduction Scheme for working age customers for 2022/23 should include continued alignment to Applicable Amounts with those of Housing Benefit.

RESOLVED That Council

1. considered and endorsed the proposed recommended changes detailed below

2. That the planned review for the introduction of a banding scheme for Council Tax Reduction be deferred until 2022 and that the current scheme for working age customers continues to be aligned to Applicable Amounts with those of Housing Benefit for 2022/23.

(Moved by Councillor R Pritchard and seconded by Councillor T Jay)

42 APPOINTMENT OF EXTERNAL AUDITOR - RE: ACCOUNTS COMMENCING 2023/2024

Report of the Portfolio Holder for Finance and Customer Services to advise Members of the options, process and legislative requirement to appoint External Auditors for the Accounting Periods from 2023/24 and to seek Member endorsement of the recommended option for Council approval.

RESOLVED: That Council

1. agreed that the Authority opts into the appointing person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of External Auditors, and

2. Endorsed the Executive Director Finance confirms our interest in undertaking the opt in process following ratification by Council and has delegated powers in relation to the appointment process.

   (Moved by Councillor S Doyle and seconded by Councillor S Pritchard)

43 EXCLUSION OF THE PRESS AND PUBLIC

To consider excluding the Press and Public from the meeting by passing the following resolution:-

"That in accordance with the provisions of the Local Authorities (Executive Arrangements) (Meeting and Access to Information) (England) Regulations 2012, and Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 2 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public"

At the time this agenda is published no representations have been received that this part of the meeting should be open to the public.

(Moved by Councillor J Oates and seconded by Councillor R Pritchard)

44 NOMINATION FOR FREEMAN OF THE BOROUGH

Report of the Chairman of the Nominations and Grants Committee to consider the Nomination received, considered and supported by the Nominations and Grants Committee.

RESOLVED That Council

1. Considered the recommendation from the Nominations and Grants Committee; and

2. Agreed to confer the Title of Freeman of the Borough to Marc Albrighton

(Moved by Councillor D Cook and seconded by Councillor T Clements)

The Mayor

This page is intentionally left blank

CABINET

17th February 2022

COUNCIL

22nd February 2022

Report of the Leader of the Council

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2022/23

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 2022/23;
    - Housing Revenue Account (HRA) Budget for 2022/23;
    - 5 Year General Fund Capital Programme (2022/27);
    - 5 Year HRA Capital Programme (2022/27);
    - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2022/25); and
    - 5 Year HRA Medium Term Financial Strategy (MTFS) (2022/27).

- 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 2022/23 (Appendix A);**
2. **the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix C);**
3. **the sum of £74,584 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2022/23 (Appendix E);**
4. **the sum of £1,200,215 be applied to Business Rates Collection Fund deficits in 2021/22, in part offset by a transfer from the Business Rates reserve of £939,376 (Appendix E);**
5. **that on 2nd December 2021, the Cabinet calculated the Council Tax Base 2022/23 for the whole Council area as 22,968 [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 2022/23 is £4,407,330 (Appendix E);**
7. **the following amounts as calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:**
    a. **£48,399,016 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. **£43,991,686 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. **£4,407,330 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. **£191.89 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 2022/23 of £191.89 (an increase of £5 (2.68%) on the 2021/22 level of £186.89) 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 £1,922.11 at Band D for 2022/23 be noted (£1,864.86 in 2021/22) (Appendix H);**
10. **the Council Tax levels at each band for 2022/23 (Appendix H);**
11. **the sum of £257,591 be transferred from General Fund Revenue Balances in 2022/23 (Appendix E);**
12. **the Summary General Fund Revenue Budget for 2022/23 (Appendix E);**

13. **the Provisional General Fund Budgets for 2023/24 to 2024/25, 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 £16,640,270 for 2022/23 (Appendix D);**

17. **rents for Council House Tenants in General Accommodation for 2022/23 be set at an average of £92.87 (2021/22 £89.21), over a 48 week rent year (including a 4.1% increase);**

18. **rents for Council House Tenants due for 52 weeks in 2022/23 be collected over 48 weeks;**

19. **the HRA deficit of £1,950,690 be financed through a transfer from Housing Revenue Account Balances in 2022/23 (Appendix D);**

20. **the proposed 5 year General Fund Capital Programme of £18.837m, as detailed in Appendix I to the report;**

21. **the proposed 5 year Housing Capital Programme of £46.454m, 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 2022/23 (as detailed at Appendix N);**

24. **the Prudential and Treasury Indicators and Limits for 2022/23 to 2024/25 contained within Appendix N;**

25. **adoption of the Treasury Management Practices contained within ANNEX 8;**

26. **the detailed criteria of the Investment Strategy 2022/23 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 2022/23 are:

- A General Fund Net Cost of Services of £6,580,410;

- A transfer of £257,591 from General Fund balances;

- The Band D Council Tax would be set at £191.89, an increase of £5 (2.68% - c.£0.10 per week) on the level from 2021/22 of £186.89;

- A General Fund Capital Programme of £18.837m for 5 years;

- a Housing Revenue Account (HRA) Expenditure level of £16,640,270 for 2022/23 (excluding interest & similar charges);

- A transfer of £1,950,690 from HRA balances;

- Rents will be set in line with the approved Rent Setting Policy including a 4.1% increase in average rent (on the 2021/22 average rent of £89.21 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, equating to an average rent of £92.87 based on a 48 week rent year;

- A Housing Capital Programme of £46.454m for 5 years.

Closing balances over 3 years for the General Fund (GF) are estimated at £2.8m – compared to the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (2.68%) for 2022/23 (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 2022/23 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 £1.8m (compared to the minimum approved level of £0.5m).

The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.5m over the next 5 years (£0.3m over 3 years). There has been an increase of c.£3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m, Audio/Visual technology for the Town Hall £87k, Play area refurbishment £55k, increased contingencies £130k and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

There have been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

The updated forecast resources given the significant changes in spend over the 4 years of c.£12.3m means there will be a significant funding gap for the HRA capital programme of c.£5m.

Key Risks

- The effect of the Covid-19 crisis on the economy and ultimately the impact for the Council's finances – including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

  There are further uncertainties arising from the finalisation of the Brexit process following the transition period. The national shortage of HGV drivers has not had a direct impact on services but it is likely that it could compound the likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.

  There are also likely to be price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates next year will experience a significant increase unless the current situation changes.

- For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

  As part of the recent Spending Review, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

  The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

  No detailed announcements are made on funding reform, though the following statement is made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.
Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

- Uncertainty over the ongoing funding for the ***New Homes Bonus scheme,*** as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

  The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

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

Background

The Medium Term Financial Planning process is being challenged by the ongoing uncertain economic conditions. The attached forecast is based on a 5 year period, but does contain a number of uncertainties.

For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

As part of the recent Spending Review, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

No detailed announcements are made on funding reform, though the following statement is made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

Efficiency Statement – Recovery and Reset programme

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance.

In light of the ongoing impact of Covid-19 on the Council's Medium Term Financial Strategy, Managers were again asked to review their budgets and identify all non-essential spending for 2021/22 as part of the quarter 3 projections at 31st December 2021 – as part of a managed underspend plan.

Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

An update including recommendations for the next steps was approved at Cabinet 29th July 2021 including the continuing work the agreed actions to address the financial position in future years:

1. Financial Management and Commerciality – Seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.
2. Smart Working – Exploration of the business impacts around current levels of home working and what the future is for AGILE working.
3. Building Requirements and Utilisation – Consideration of the best use of all our property assets to ensure the council's resources are focused on front line service delivery.
4. Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered whilst ensuring our most vulnerable customers retain face to face services.
5. Service Re-design and Review – An organisational wide review of each service to identify short, medium and longer-term opportunities to improve delivery of services central to the council's core purpose and strategic aims.
6. Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.
7. Economy and Regeneration - Work has continued on the future of our high street and alongside this the economic recovery and regeneration of Tamworth is central to our future Recovery and Reset.

Together with any opportunities arising from the response to the Covid-19 pandemic, for Member consideration during the budget process.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

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. The Council is responding to these challenges by considering the opportunities to make further savings and /or 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.
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.

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 26th 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.

The key uncertainties which will inform further budget considerations before the final budget proposals are developed are:

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.

   When Council approved the 2021/22 Budget and Medium Term Financial Strategy on 23rd February 2021, the impact of the Covid-19 pandemic on the economy and ultimately the impact for the Council's finances was uncertain - including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

   In addition, future levels of funding for the Council were uncertain pending the Government's planned reforms to Local Government funding. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% Business Rates Retention and Fairer Funding Review of Relative Needs and Resources) will be deferred again as a result of the pandemic, although no timescales have been released. In addition, the next planned national Business Rates Revaluation, planned for 2021 will take effect from 2023.

   The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

   While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

   In addition, there is continued uncertainty over the ongoing funding for the ***New Homes Bonus scheme,*** as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

   The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

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 2022/23) or £5, whichever is greater.

c) For 2019/20 a 2% increase in Local Government pay was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. An offer of a 1.75% increase is subject to union ballot and is still to be agreed for 2021/22 and future years also remain uncertain. A 2.5% p.a. increase from 2022/23 has been assumed.

d) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management.

e) No one can know what the effect of the Covid-19 crisis will have on the economy and ultimately the impact for the Council's finances. It will be many months before we have a clearer idea on how the economy has responded to the recovery process – including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

f) There are further uncertainties arising from the finalisation of the Brexit process following the transition period. The national shortage of HGV drivers has not had a direct impact on services but it is likely that it could compound the likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.

g) There are also likely to be price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates next year will experience a significant increase unless the current situation changes.

h) Energy efficiency is likely to be a significant future across all of our property portfolio including Council Housing. The commitment to achieve zero carbon within our own operations will present difficulties when considering our historic buildings like the Assembly Rooms, Castle and Town Hall. It is likely that investment in the property portfolio will be needed which has not yet been quantified and will need to be considered in future, in line with the Corporate Capital Strategy objectives.

   It is anticipated that amendments to the Decent Homes Standard will look at building safety and energy efficiency for Council Housing. The cost is likely to be significant and could mean exploration of new ways of funding such as the application of service charges and as included within the 2022/23 capital programme, through grants available.

There is also likely to be a significant demand for the installation (& ongoing maintenance) of electric vehicle (EV) charging points in car parking areas and at places such as the sheltered schemes and individual residential properties (some work has started for former garage sites).

i) Budgets for remedial works associated with the Building Safety Bill have been included within the Capital Programme for higher risk properties, however, it is likely that the requirements will extend to other buildings such as the low and medium rise blocks along with sheltered schemes. A Building Safety Manager as required by the Building Safety Bill is included in the budget but if the requirement extends then additional resource is likely to be needed, including for more frequent building inspections and it is likely that these inspections will result in an increase in the number of repairs being identified.

j) Although the volume of repairs has remained fairly consistent during the pandemic as it has been in previous years we know that the average job cost is lower than previous years and is lower than industry average. It could well be that this is the new normal position and that the investment made in property over the years means has resulted in lower repair costs. However, there is a risk that fewer repairs are being reported due to the pandemic and that at some point in the future a backlog of unidentified repairs will present itself. At the moment this is considered a low risk as it would appear that our tenants are reporting repairs as and when they occur.

k) An increase in the cost of repairs has been included due to the current market cost pressures. The RICS through their BCIS cost indicator service are predicting increasing tender prices over the next 5 years so this is likely to impact on existing contracts. There is the risk that if costs continue to increase in excess of CPI contractors will seek further uplifts. The impact on planned work is that less work will be done, this will extend the renewal period for key components which will increase demand on responsive. The volume of responsive repairs is unlikely to change.

l) Income from the commercial/industrial portfolio has held up during the pandemic, but underlying market issues and the increase in online shopping (increased by the pandemic) mean that there is an immediate risk in relation to the income achievable from the Council's commercial property portfolio including the Ankerside Shopping Centre and NCP car park, while not known at present, could result in a significant loss of income.

Without investment our commercial/industrial property could become unlettable.
In addition future management costs of the portfolio could be as high as 15% of the annual rental value which would have a significant impact on rental income.

m) It was hoped that the current ongoing costs associated with Covid-19 could be reduced as we returned to pre-Covid normality but as the current Omicron issue has shown we don't yet know when this will be. It is likely that these costs will continue until the pandemic ends, or attitudes change and policy makers accept that additional precautions are no longer required.

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**).

Vision, Strategic Priorities & Plans

Set in the beautiful county of Staffordshire, Tamworth is a vibrant town with a rich heritage. Located in the centre of Britain, with a growing population of over 77,000 people. Tamworth is a borough with much to be proud of. Our transport links, unique shopping experience, developing town centre, green spaces, leisure offer, including our cultural and wide ranging outdoor events programme, as well as our historic buildings, all help make it a great place to live, work and visit.

In addition to all that Tamworth already has to offer, exciting times are ahead as we are about to embark on a period of significant transformation. Multi-million pound projects, such as the Future High Streets development, will help to bring about lasting change and improvements for the future.

This will assist with our mission to restore Tamworth town centre as the beating heart of the community, a place that people want to visit, rather than a place they have to visit.

Although it has not been possible as a council to undertake the usual levels of face-to-face engagement during this past year, we have continued to listen to our residents and partners. This has included carrying out a brand new Residents Survey to find out what matters most to people. The valuable information gained from the ‘Talk To Us Tamworth’ survey, together with the Budget Consultation and previous ‘Tamworth What’s Next’ workshops, has been used to shape this new Corporate Plan and ensure it addresses those important issues.

We know, for example, that people value now more than ever having access to parks and outdoor spaces and that they are concerned about the economy and particularly their own financial security. With the backdrop of Covid and the announcements of ever-changing variants, the Council will continue to deliver what is important to its residents, businesses, communities and those most vulnerable in Tamworth.

Looking back

Over the past 18 months, individuals and organisations across the borough have had to adapt to new ways of living and working. As a Council we too have had to adapt in the way we deliver our services in response to the crisis and we will apply our learning to shaping our approaches for the future.

Working with a wide range of partners, and with an outstanding community response, we have continued to develop so that we can provide the best possible services, with the main aim of ensuring people have opportunities to live healthy and fulfilling lives in safe, thriving families and communities.

We know the challenges of the last 18 months will have a lasting impact on us all, but particularly on the wellbeing of children and young people and their education. With this in mind, we will continue to work closely with our partners and stakeholders to ensure this is prioritised. Where the Council does not have direct responsibilities, such as skills and education, in these areas we will use our influence with the relevant public bodies.

We also recognise the impact of the virus on elderly and vulnerable residents and will continue to work with our partners to help keep people safe with access to the services that are most critical to their needs.

Whilst the long-term impacts of the crisis provide an additional reason for people to avoid urban/town centres for a sustained period, we are already seeing the economic impact with reduction in footfall in the town centre, reduced use of car parks and fewer people visiting hospitality venues including Tamworth Assembly Rooms and Tamworth Castle.

Looking forward

That being said, we have plenty to be optimistic about, with lots of exciting projects and continuing partnership work on the agenda for the next 12 months and beyond.

This work has all been brought together by councillors, during a number of councillor-led workshops and seminars, into a new refocused vision to reflect new priorities. This year more collaborative budget setting workshops were held to ensure all councillors were able to have involvement in what is important to them and their residents.

Our new vision is **'Tamworth – celebrating our heritage, creating a better future'**

In order to achieve that vision, we have developed this new Corporate Plan which will be delivered with a workforce and organisation that has adapted to an unprecedented national challenge, working hand in hand with our partners and communities.
This new vision, together with our new Corporate Plan, details five areas of focus for the borough; including the key outcomes we are seeking to achieve and how we will work to achieve them.

Our primary areas of focus will be:

- **The Environment**
- **The Economy**
- **Infrastructure**
- **Living in Tamworth**
- **The Town Centre**

Each priority has a number of supporting areas of focus and progress will be achieved through the delivery of corporate and transformational projects; each having clearly defined objectives and outcomes.

1. **The Environment**

   Enforcement and education with regard to litter and fly-tipping
   Development of infrastructure for acting on Climate Change
   Support more people to recycle and to reduce waste
   Working with partners to protect, maintain and improve the green space offer

2. **The Economy**

   Development of business initiatives to promote start up and growth
   Support business growth to generate employment opportunities by working with businesses
   Provision of good quality and affordable housing
   Improve tourism in terms of good access to information for visitors to help local businesses and Tamworth as a destination as a whole, maximise and improve the quality of the visitor experience

3. **Infrastructure**

   Review Local Plan to improve the transport links within Tamworth
   Improve existing walkways and cycling routes
   Ensure more people can access council services digitally/digital enhancement with partners and within Council housing stock

4. **Living in Tamworth**

   Ensure adequate supply of affordable housing through the Local Plan review
   Investment in Neighbourhood and Place environment
   Through our Economic Development team, we will support job creation and business retention and expansion through interventions and advice, and seek to protect the local economy where we can influence this.
   Improve and promote Tamworth’s historic and cultural assets and events
   Community Safety focus on neighbourhoods and place
   Working with partners to ensure the fear of crime within Tamworth is reduced

5. **Town Centre**

   Continue to develop street market and extend supporting events around the market to add vibrancy within the town centre
   Create a branding scheme for “created in Tamworth”
   Provide the infrastructure to improve evening and night time economy
   Embrace Tamworth’s history and culture so as to build a sense of local pride and support our children’s education and understanding of the significant part Tamworth played in British history
   Continue to promote all outdoor events
   Development of a new Tamworth Enterprise Centre as part of the structural transformation of the town centre
   Make the town centre more accessible
   Provide the environment where the leisure and food offer can grow and flourish
   Working with others seek to improve the night-time transport offer to support the overall night-time economy

Our Corporate Plan involves transformational projects intended to shape the long term future for Tamworth the place, its communities and economy. Included are comprehensive plans for the regeneration of the town and fundamental changes to the way the Council operates:

- **Future High Street Fund** which consists of an incredible £21.65m being awarded to transform the town centre into the busy, thriving heart of the community. When combined with funding from external partners and Tamworth Borough Council, the projects represents a combined investment in the town of around **£40million**.

  There are five core elements of the project:

  - **College Quarter**: The relocation of Tamworth College, part of South Staffordshire College, to a new building on the site of the Tamworth Co-operative Society department store

  - **Enterprise Hub**: Refurbishment of the locally-listed part of the Tamworth Co-operative Society department store (the Colehill frontages) into a new enterprise centre for small businesses

  - **Middle Entry Refurbishment**: Refurbishment and improvements to Middle Entry including a new semi-permanent structure for start-ups and niche businesses

  - **Castle Gateway**: An improved entrance between the town centre and the Castle Grounds by enhancing the Castle Gatehouse area and adjoining Market Street properties

  - **St Editha's Square**: The transformation of St Editha's Square into a multi-purpose outdoor space for entertaining and events

- The **Gungate Development** is a project that will regenerate a multi-million pound vacant edge of town centre site, in the ownership of the Council and external stakeholders. Development of the land north and south of Spinning School Lane into a mixed use site including residential, which will support the town centre by delivering uses that complement the existing offer and increase footfall, choice and prosperity.

- **Finance and Commerciality** work will continue including the delivery of our Medium Term Financial plan as well as seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.

- **Reset & Recovery Programme** will include:

    - Smart Working – Exploration of the business impacts around current levels of home working and what the future is for agile working.
    - Marmion House, future building requirements and utilisation - Consideration of the best use of all our property assets to ensure the Council's resources are focused on front line service delivery.
    - Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered, whilst ensuring our most vulnerable customers retain face to face services where appropriate
    - Service Re-design – An organisational wide review of each service to identify short, medium, and longer-term opportunities to improve delivery of services central to the Council's core purpose and strategic aims
    - Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment.

Our short to medium projects will be delivered within a two to four year timescale and include the:

- Development of an Organisational Development Strategy
- Town Centre Masterplan
- Place Investment Strategy
- Corporation Street Gateway Project
- Development of our Housing Revenue Account Business Plan
- Garage Site Development
- Asset Management Strategy
- Town Hall Development
- Completion of the Local Government Boundary Review
- Development of Tourism Strategy

Much has changed over the last 18 months and difficult decisions have had to be made. Our service delivery has continued and has been supported by new approaches of SMART working. In facing the challenges presented by the pandemic, we have been proactive, responding with urgency and confidence, seeking to ensure the safety and wellbeing of our residents and workforce. This Plan sets our direction for the next five years and will be constantly scrutinised, reviewed, evaluated and adapted as needed.

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 2022/23 to 2024/25 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 2022/23 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	**£5.00 increase in Council tax in 2022/23 (followed by increases of £5.00 p.a.)**
Model 2	2.99% increase in Council tax in 2022/23 (followed by increases of c.2.99% p.a.)
Model 3	£1 increase in Council tax in 2022/23 (followed by increases of £1 p.a.)
Model 4	2.5% increase in Council tax in 2022/23 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2022/23 (followed by increases of 0% thereafter)
Model 6	1.99% increase in Council tax in 2022/23 (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 1st December 2021 and the Draft Medium Term Financial Strategy report to Cabinet on 20th January 2022 and Joint Scrutiny Committee (Budget) on 26th January 2022.

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 2022/23 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 £2.8m – compared to the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (2.68%) for 2022/23 (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 2022/23 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 £1.8m (compared to the minimum approved level of £0.5m).

The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean £0.5m in borrowing would be needed over the next 5 years (£0.3m over 3 years, £0.4m over 4 years).

There have been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

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 26th January 2022. In line with the constitution a Leaders Budget Workshop was held on 1st December 2021 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 2021/22 base budget, approved by Council on 23rd February 2021, 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:

Risk	**Control Measure**
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (**High)**	Sensitivity modelling undertaken to assess the potential impact in the estimation of future Government support levels; **(High / Medium)**
New Homes Bonus grant levels lower than estimated; Continuation of the scheme for 2022/23 has been confirmed – doubt over its continuation in future years; **(High/Medium)**	Future levels included based on legacy payments only; **(Medium/Low)**
Potential 'capping' of council tax increases by the Government or local Council Tax veto / referendum; **(Medium)**	Confirmed that increases of over 2% or £5 risk 'capping' (was 2% or £5 for District Councils in 2021/22); **(Low)**
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; **(High)**	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; **(High/Medium)**
Pay awards greater than forecast; **(Medium)**	Public sector pay cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years & 2.75% in 2020/21. An offer of 1.75% for 2021/22 has not yet been agreed. Increases of 2.5% p.a. assumed from 2022/23; **(Medium / Low)**
Pension costs higher than planned / adverse performance of pension fund; **(Medium)**	Regular update meetings with Actuary; Following an option to 'freeze' the 'lump sum' element for the 3 years from 2020/21 (after the triennial review during 2019), 2% p.a. year on year increases have been included from 2023/24; **(Medium/Low)**
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;	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;

Risk	Control Measure
(High)	**(High / Medium)**
Local Council Tax Reduction scheme potential yield changes and maintenance of collection levels due to increases in unemployment caused by the pandemic; **(High)**	Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; **(High / Medium)**
Achievement of income streams in line with targets in light of the economic conditions e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; **(High / Medium)**	Robust estimates using a zero based budgeting approach have been included; **(Medium)**
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); **(High / Medium)**	Robust monitoring and evaluation – should funds not be available then schemes would not progress; **(Medium)**
Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). **(High / Medium)**	Memorandum of Understanding in place with LDC. **(Medium)**
Delivery of the planned Commercial Investment Strategy actions - recent review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance carried out - with a potential restriction of investments by Councils given increased risk exposure. **(High/Medium)**	The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities. Property Fund investment review carried out 2021. **(Medium)**
Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. **(High / Medium)**	Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. **(Medium)**
Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). **(High / Medium)**	Implementation plan in place with corporate commitment and good progress. **(Medium)**
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. Based on past performance there is the potential for returns of c.4% p.a. but this is not guaranteed.	Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council. 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.

Risk	Control Measure
The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains). 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. **(High/Medium)**	It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds. The Council used the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route. Mitigation regulations are in place to defer any potential principal loss for 5 years. Property Fund investment review carried out 2021. **(Medium)**

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 19th November 2019, Tamworth Borough Council declared a Climate Emergency together with specific actions including to ensure that all reports in preparation for the 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 was included in the proposals for 2020/21 to fund emerging Climate Emergency initiatives, but was been deferred due to the pandemic. In addition, 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 ongoing central heating upgrades and renewals, neighbourhood regeneration (including environmental works), insulation works and energy efficiency improvements – and £3.2m for Decarbonisation works in 2022/23 with a further £7.5m over 3 years from 2024/25.

In addition, planned spend in 2021/22 (deferred from 2019/20) includes improvements to Public Open Space, 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.

Background Papers:-	**Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2021/22, Council 23rd February 2021**
	Budget and Medium Term Financial Planning Process, Cabinet 19th August 2021
	Budget Consultation Report, Cabinet 2nd December 2021
	Leaders Budget Workshop, 1st December 2021
	Draft Base Budget Forecasts 2022/23 to 2026/27, Cabinet 2nd December 2021
	Treasury Management Strategy Statement & Annual Investment Strategy Mid-year Review Report 2021/22, Council 13th December 2021
	Draft Budget and Medium Term Financial Strategy 2022/23 to 2026/27, Cabinet 20th January 2022 / Joint Scrutiny Committee (Budget) 26th January 2022
	Business Rates Income Forecast (NNDR1 return), Cabinet 20th January 2022
	Treasury Management Practices 2022/23 (Operational Detail)

Summary of Appendices

Description	Appendix
Corporate Vision for Tamworth	A
Detailed Considerations	B
Policy Changes	C
HRA Budget Summary 2022/23 – 2026/27	D
General Fund Summary Revenue Budget 2022/23	E
General Fund Technical Adjustments 2022/23 (before policy changes)	F1
HRA Technical Adjustments 2022/23 (before policy changes)	F2
General Fund 3 Year Revenue Budget Summary	G
Council Tax Levels at each Band 2022/23	H
General Fund 5 Year Capital Programme 2022/23 – 2026/27	I
Housing 5 Year Capital Programme 2022/23 – 2026/27	J
Main Assumptions	K
Sensitivity Analysis	L
Contingencies	M
Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2022/23	N
Corporate Capital Strategy	O
Community Impact Assessment	P

Appendix A

Corporate Plan Summary 2022

'Corporate Plan – On a Page'

TAMWORTH BOROUGH COUNCIL: VISION
'***Tamworth - celebrating our heritage, creating a better future***'

OUR PRIORITIES	AREAS OF FOCUS
1. The Environment	• Enforcement and education with regard to litter and fly-tipping • Development of infrastructure for acting on climate change • Support more people to recycle and to reduce waste • Working with partners to protect, maintain and improve the green space offer
2. The Economy	• Development of business initiatives to promote start up and growth • Support business growth to generate employment opportunities by working with businesses • Provision of good quality and affordable housing • Improve tourism in terms of good access information for visitors to help local businesses and Tamworth as a destination as a whole, maximise and improve the quality of the visitor experience
3. Infrastructure	• Review Local Plan to improve the transport links within Tamworth • Improve existing walkways and cycling routes • Ensure more people can access council services digitally / digital enhancement with partners and within Council housing stock

4. Living in Tamworth	• Ensure adequate supply of affordable housing through the Local Plan review • Investment in Neighbourhood and Place environment • Through our Economic Development team, we will support job creation and business retention and expansion through interventions and advice, and seek to protect the local economy where we can influence this. • Improve and promote Tamworth's historic and cultural assets and events • Community safety focus on neighbourhoods and place • Working with partners to ensure the fear of crime within Tamworth is reduced
5. Town Centre	• Continue to develop street market and extend supporting events around the market to add vibrancy within the town centre • Create a branding scheme for "created in Tamworth" • Provide the infrastructure to improve evening and night time economy • Embrace Tamworth's history and culture so as to build a sense of local pride and to support our children education and understanding of the significant part Tamworth played in British history • Continue to promote all outdoor events • Development of a new Tamworth Enterprise Centre as part of the structural transformation of the town centre • Make the town centre more accessible • Improve leisure and food offer • Improve night time transport

Our plan also includes short to medium term projects as well as longer term transformational and change projects:

Short to Medium Term Projects	**Transformational Change and longer term projects**
• Development of an Organisational Development Strategy	• Future High Street Funds
• Town Centre Masterplan	• Gungate Development
• Place investment Strategy	• Medium Term Financial Strategy and delivery plan
• Corporation Street Gateway Project	• Reset and Recovery Programme
• Development of Hosing Revenue Account Business Plan	
• Garage Site Development	
• Asset Management Strategy	
• Town Hall Development	
• Completion of the Local Government Boundary Review	
• Development of Tourism Strategy	

Appendix B

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 2022/23 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 2021/22 budget to arrive at the starting point for 2022/23. 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 2022/23 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 continuing economic uncertainty and austerity measures;
- 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 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 (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 2022/23 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 +/-	Impact over 5 years + / -	Risk
		£'000	£'000	£'000	
Pay Award / National Insurance (GF)	0.5%	46	283	721	M
Pension Costs	0.5%	0	188	640	L
Council Tax	0.5%	42	203	477	L
Inflation / CPI	0.5%	66	379	943	H
Government Grant	1.0%	47	216	486	L
Investment Interest	0.5%	203	810	1,625	H
Key Income Streams	10%	192	1,228	3,177	H
Business Rates	0.5%	75	454	1,149	H

GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 7th February 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the final local government finance settlement 2022/23.

With the 2022/23 figures being for a single year only and the deferral on the Fair Funding Review, New Homes Bonus reform and the Business Rates Reset for a further year, the 2022/23 settlement is similar to the 2021/22 settlement; albeit, with an additional £1.8bn of funding (including the grant increase of £1.6bn and the Adult Social Care Reform funding of £0.2bn, as announced at Spending Review).

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; the new Lower Tier Services Grant and the Adult Social Care Support Grant. The table shows the national changes to Core Spending Power between 2015/16 and 2022/23. It shows an increase of 7.4% for 2022/23 and an overall increase for the period 2015/16 to 2022/23 of 21.2%.

Core Spending Power **National Position**	**2015/16** **£m**	**2016/17** **£m**	**2017/18** **£m**	**2018/19** **£m**	**2019/20** **£m**	**2020/21** **£m**	**2021/22** **£m**	**2022/23** **£m**
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560	14,797	14,810	14,882
Under-indexing business rates multiplier	165	165	175	275	400	500	650	1,275
Council Tax	22,036	23,247	24,666	26,332	27,768	29,227	30,327	31,742
Improved Better Care Fund	-	-	1,115	1,499	1,837	2,077	2,077	2,140
New Homes Bonus	1,200	1,485	1,252	947	918	907	622	556
Rural Services Delivery Grant	16	81	65	81	81	81	85	85
Lower Tier Services Grant	-	-	-	-	-	-	111	111
2022/23 Services Grant	-	-	-	-	-	-	-	822
Transition Grant	-	150	150	-	-	-	-	-
Adult Social Care Support Grant	-	-	241	150	-	-	-	-
Winter pressures Grant	-	-	-	240	240	-	-	-
Social Care (Support) Grant	-	-	-	-	410	1,410	1,710	2,347
Market Sustainability & Fair Cost of Care	-	-	-	-	-	-	-	162
Core Spending Power	**44,666**	**43,730**	**44,296**	**45,098**	**46,213**	**48,999**	**50,392**	**54,122**
Change %		**(2.1)%**	**1.3%**	**1.8%**	**2.5%**	**6.0%**	**2.8%**	**7.4%**
Cumulative change %		**(2.1)%**	**(0.8)%**	**1.0%**	**3.5%**	**9.7%**	**12.8%**	**21.2%**

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 2022/23 (after the deferral from 2021/22) but were deferred again.

Given the pandemic, the work on the review of local government funding, fair funding review, future of new homes bonus and business rates retention was deferred again, although no timescales were been released.

It has now been announced that the business rates multiplier will be frozen again for 2022/23. Therefore the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remains at 2020/21 levels. However, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the increase to the multiplier (as per previous years when a cap was applied) – reflected in additional section 31 grant**.** The business rates tariff for Tamworth was left unchanged at £10.4m – which means that due to the retention of business rates growth since 2013 of £2m, the Council benefits from net additional funds for 2022/23.

As part of the 2021 Spending Review, no announcement was made about the government's plans for funding reform or a **reset** of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The following statement is made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

For future years (post 2022/23), it has been assumed that there will be a reduction in Revenue Support Grant to nil following the planned reforms, as detailed below.

BASE BUDGET	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Revenue Support Grant	188,572	194,648	-	-
% Increase / (Reduction)	0.6%	3.2%	(100)%	-

Business Rates

The 2022/23 finance settlement represents the tenth 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. For 2019/20, due to the pilot arrangement, no levy was payable although growth over baseline was £1.97m. For 2020/21, this level was reduced due to the pandemic – with a levy payable of £495k.

The latest estimates for 2021/22 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 pool arrangement - after deduction of the 25% Central Share, 9% County & 1% Fire & Rescue Authority shares). It should be noted that c.£3m in additional relief has been granted in 2021/22 due to the pandemic – meaning that retail, leisure and hospitality businesses will pay reduced levels of business rates in 2021/22.

The Government said it will keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth (pending the planned business rates baseline reset) – the Government have confirmed that the reset will be deferred which means District Councils keep the accumulated growth in business rates (as they did last year) – subject to the effect of the pandemic on future business rate income.

For future years, it has been assumed that the retained growth will be redistributed as part of the business rates reset and therefore business rates received will be equivalent to the tariff payable – meaning the Council will retain the Government assessed Business Rates Baseline.

New Burdens (Section 31) Grant is receivable for additional reliefs given by the Government relating to business rates from 1st 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 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 – and will be updated following finalisation of the business rates forecast for 2022/23 during January.

Levy / Section 31 Grant	**2022/23 £**	**2023/24 £**	**2024/25 £**
NNDR Levy payment	1,262,640	-	-
Section 31 Grant income	-	-	-

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

BASELINE	**2022/23 £**	**2023/24 £**	**2023/24 £**
Provisional LGFS (December 2021):			
Retained Business Rates	12,744,347	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total SFA	2,338,506	2,448,211	2,497,175
% Increase	-	4.7%	2.0%
Provisional LGFS (December 2021):			
Retained Business Rates	12,744,347	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total SFA	2,338,506	2,448,211	2,497,175
% Increase	**-**	**4.7%**	**2.0%**
Increase / (Decrease)	**-**	**-**	**-**

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.

The business rates forecast income is subject to confirmation / finalisation over the next few weeks – the latest estimates are detailed below:

FINAL MTFS	2022/23 £	2023/24 £	2024/25 £
Provisional LGFS (December 2021):			
Retained Business Rates	14,918,867	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total	4,513,026	2,448,211	2,497,175
% Increase	63.5%	(45.8)%	2.0%
Final NNDR1 Forecast (January 2022):			
Retained Business Rates	13,252,313	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total	2,846,472	2,448,211	2,497,175
% Increase	**3.1%**	**(14.0)%**	**2.0%**
Increase / (Decrease)	**(1,666,554)**	**-**	**-**

Based on this Government financial support will change as shown below:

FINAL MTFS	2022/23 £	2023/24 £	2024/25 £
Provisional LGFS (December 2021):			
Revenue Support Grant	194,648	-	-
Retained Business Rates	14,918,867	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total	4,707,674	2,448,211	2,497,175
% Increase	59.6%	(48.0)%	2.0%
% RSG Increase / (Decrease)	3.2%	(100.0)%	0.0%
Final NNDR1 Forecast (January 2022):			
Revenue Support Grant	194,648	-	-
Retained Business Rates	13,252,313	15,217,244	15,521,589
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)
Total	3,041,120	2,448,211	2,497,175
% Increase	**3.1%**	**(19.5)%**	**2.0%**
% RSG Increase / (Decrease)	3.2%	(100.0)%	0.0%
Increase / (Decrease)	**(1,666,554)**	**-**	**-**

The table shows that funding should be c.£1.7m lower than expected in 2022/23.

The retained Business Rates forecast is based on the statutory NNDR1 return – approved by Cabinet on 20th January 2022 – prior to final sign off by the statutory deadline of 31st January 2022.

The estimated net yield of £13,252,313 retained by the Council (after the Preceptors and Central Share) is held within the Collection Fund. This is reduced by the tariff payable of £10,405,841 in 2022/23 and the 50% levy on business rates in excess of the Government assessed baseline.

A net overall increase in funding of £175,384 is reported when compared to the Draft MTFS forecast.

Increased S.31 Grant income of £2,017,322 is reported (due to the inclusion of the announced reliefs which serve to reduce business rates collectable by £1,666,554 offset by the increased S.31 grant income), subject to an increased levy payment of £175,384.

A deficit of £3,652,635 is reported for 2021/22 (before the reduction relating to the continuation of the 3 year spreading of the 2020/21 deficit of £652,098 to be paid in 2023/24). This will be reduced by additional section 31 grant (received in the General Fund) for the extended retail relief in 2021/22 due to the pandemic, but will need to be transferred to reserve and released during 2021/22 in line with Collection Fund accounting practice.

There are still significant uncertainties - specifically the treatment of:

- Forecast levels of growth / contraction in business rates – including the level of void properties and unpaid business rates for 2022/23 following the impact of the pandemic on local businesses;

- The estimated level of mandatory and discretionary reliefs;

- The estimated level of refunds of Business Rates following the Appeal process – especially following the pandemic;

- 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 on the likely tariff levels for future years.

In addition, the next planned national Business Rates Revaluation will take effect from 2023 – 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 2023 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)

There remains significant uncertainty over the ongoing funding for the New Homes Bonus scheme, as it has been ‘rolled over’ for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

New Homes Bonus income forecasts had been included within the base budget as follows – with future levels included based on legacy payments only. However, following the announcement of additional funding for 2022/23, forecasts have subsequently been updated:

BASE BUDGET NHB	**2022/23 £**	**2023/24 £**	**2024/25 £**
Base Budget Forecast (November 2021)	212,700	-	-
Revised MTFS forecast (December 2021)	917,070	-	-
Increased / (Reduced) income	704,370	-	-

This results in an overall gain to the MTFS of £0.7m for 2022/23, resulting from the growth in new homes in the borough to October 2021.

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 2021/22 base budget in order to produce an adjusted base for 2022/23 and forecast base for 2023/24 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:

Technical Adjustments	**2022/23 £’000**	**2023/24 £’000**	**2024/25 £’000**
Base Budget B/Fwd	258	9,024	9,604
Committee Decisions	8,788	(88)	2
Inflation	25	19	18
Other	(295)	340	267
Pay Adjustments (Including pay award / 7.5% reduction for vacancy allowance)	248	309	300
Total / Revised Base Budget	9,024	9,604	10,191

* ( ) denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2021 have been included within the technical adjustments for 2022/23 onwards. **A list of the proposed new policy changes for 2022/23 is summarised below:**

Item No	Policy Changes Identified – General Fund	2022/23 £'000	2023/24 £'000	2024/25 £'000
OR1	Increased cost Legal Shared Service (less ongoing underspend on current budget plus use of retained funds in years 1 and 2)	-	8.5	11.0
OR2	Funding required for ongoing costs associated with Audio/Visual technology to support council meetings at the Town Hall. Budget will cover streaming hours and support/maintenance for the solution	-	12.0	-
PE1	HR - Increase in long service award budget to meet profiled expenditure for the next three years	4.9	(1.3)	2.6
PE2	Customer Services - Extension of temporary contracts for CSA staff due to finish 31st March 2022 for a further year	74.4	(74.4)	-
PE3	Move of iTrent to MHR Cloud services. The current iTrent on premise environment requires a complete reinstall due to end of life version of Windows and SQL server.	15.0	-	-
PE4	Customer Services - Hire of Security - extension of contract to December 2022 (also impact on HRA)	12.3	(12.3)	-
PE5	Communications & Marketing – Make Head of Communication a permanent full time role	19.6	-	-
OPS1	Pleasure Grounds - remove income streams from the activity centre	27.0	-	(25.8)
OPS2	To reinstate the full budget of £30k for the purchase of flowers for Tamworth. The budget was reduced to £15k during the pandemic as only selected sites were planted. A further £10k is requested for 2022/23 so as to enable additional floral displays to enhance the Queens Platinum Jubilee celebrations throughout the town	25.0	(10.0)	-
OPS3	A budget of £15k be created to provide each member with £500 per annum to use to aid environmental improvements in their ward.	15.0	-	-
OPS4	Additional revenue budgets for the purchase of vehicles and mechanical sweepers for the authority	56.2	27.6	-
OPS5	Assembly Rooms - costed maintenance plan for 2022/23 is £35k, however with the current supply chain and market forces it is recommended that this be increased by 20% to ensure all costs are covered, bringing the figure to £42k	33.0	-	-

Item No	Policy Changes Identified – General Fund	2022/23 £'000	2023/24 £'000	2024/25 £'000
OPS6	The reopening of the Assembly Rooms in 2021 commenced in July and phased the return of staff building as the Covid restrictions lifted. In the report that went to Cabinet and Appointments and Staffing, (6th April 2021) it was identified that c.£98k would be need to fully support this structure from 2022/23.	101.0	(101.0)	-
OPS7	Reduced income - the Council have undertaken 8 annual cuts of SCC grass verges and associated green spaces for many years. In 2018 they indicated that the funding for the service was to be reduced and it was agreed that the fee would now relate to 6 annual cuts plus some new developments.	28.3	-	-
FIN1	Revised New Homes Bonus	(704.4)	704.4	-
FIN2	Business Rates Levy payment	1,262.6	(1,262.6)	-
FIN3	Lower Tier Grant	(107.0)	104.9	-
FIN4	Business Rates Relief Section 31 Grant	(2,017.3)	2,017.3	-
FIN5	Local Government Services grant	(161.2)	161.2	-
FIN6	Revenue Implications of Capital Programme	11.0	2.0	1.0
FIN7	West Midlands Combined Authority contribution (WMCA) - Proposed increase in the annual contribution levels	5.0	5.0	-
FIN8	Transfer from Business Rates Equalisation Reserve, including estimated contributions in 2021/22	(939.4)	939.4	-
PAR1	To maintain the level of potential income on car park enforcement at pandemic levels	57.8	(57.8)	
AST1	Valuation of General Fund Assets - auditors have identified some key areas of improvement which will require additional investment	50.0	-	-
AST2	Increase in BRF to reflect market cost changes - Upward price pressures from the construction market has forced an increase in contractor costs	65.6	-	-
AST3	Servicing of castle grounds toilet facilities - reflects the increase ongoing cost of servicing and cleansing	1.5	-	-
AST4	Restructure of Assets Team	51.4	-	-
G&R1	A c.30% drop in planned revenue in car parking revenue for financial year 2022/23 compared to 2019/20	256.6	(256.6)	-
G&R2	Providing additional salary to budget to underpin the costs of a new post Heritage and Facilities Officer, approved earlier in the year. The Castle is required to provide 25% of the costs.	10.0	(10.0)	-

Item No	Policy Changes Identified – General Fund	2022/23 £'000	2023/24 £'000	2024/25 £'000
G&R3	The proposal is to permanently extend the hours of our Public Health Officer post from 30 hours per week to 37 hours per week. This change is currently being funded through reserve budgets and it is requested that a Policy change be agreed to make this permanent.	7.2	-	-
G&R4	The proposal is to remove the predicted reduction in general admission income at the castle as we emerge from pandemic restrictions. Given the positive indications in 2021/22 it is recommended that the full budget be reinstated for 2022/23.	(54.6)	54.6	-
G&R5	Castle Staffing Review - Additional costs arising from the castle report	6.4	1.7	-
	Total New Items / Amendments	**(1,787.3)**	**2,254.7**	**(11.2)**
	Cumulative	**(1,787.3)**	**467.4**	**456.2**
	Cumulative 3 years			**(863.7)**

In addition, the following savings are proposed arising from Phase 1 of the Recovery and Reset programme:

Item No	Proposal/(Existing Budget)	2022/23 £'000	2023/24 £'000	2024/25 £'000
R&R1	Digitalisation of CST service savings from use of portal (10% salary savings)	-	-	(50.0)
R&R2	Corporate review of Postage - Targeted saving	(20.0)	-	-
R&R3	Shopmobility - Cease funding	(10.0)	-	-
R&R4	Mobile Phone contract review	(8.0)	-	-
R&R5	Review of all IT software contacts	(5.0)	-	-
R&R6	Health Insurance, Occupational Health and Listening Service – targeted saving from re-procurement	(10.0)	-	-
R&R7	Highways Reverse Agency Agreement – budget review	(86.0)	-	-
R&R8	Expand street scene Service to cover all Corporate properties - castle outside	(3.0)	-	-
R&R9	Treasury Management income – targeted saving	(30.0)	-	-
R&R10	Review of Cross subsidy- Charge removed whilst under review (max of 2 years)	(229.6)	-	200.0
R&R11	Private Sector Leasing (PSL) savings from cessation of scheme	(30.0)	-	-
R&R12	Flexible Housing Support Grant - Saving on Reserve Account	(80.0)	80.0	-

Item No	Proposal/(Existing Budget)	2022/23 £'000	2023/24 £'000	2024/25 £'000
R&R13	Review of Income - Planning fees and enforcement	(20.0)	-	-
R&R14	Increase service offer - planning advice , site appraisals and TPOs	(10.0)	-	-
R&R15	Review of planning Income - Re-active service at present need to scope and review	(10.0)	-	-
R&R16	Street trading - Reduction in income budget	15.0	-	-
R&R17	Corporate Management - Targeted savings from Ph.2 R&R service review	(100.0)		(90.0)
	Total New Items / Amendments	**(636.6)**	**80.0**	**60.0**
	Cumulative	**(636.6)**	**(556.6)**	**(496.6)**
	Cumulative 3 years			**(1,689.8)**

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 2022/23 require authorities to seek the approval of their local electorate in a referendum if, compared with 20201/22, 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 £5 per annum from 2022/23 - following a freeze in 2011/12 & 2012/13 and a below 2% increase from 2013/14 to 2016/17 (followed by c.3% or £5 p.a. to 2021/22).

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 2022/23 has been approved at 2.1% (the same level as 2021/22). 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 £191.89 for 2022/23 (£186.89 – 2021/22). Future levels of Council Tax and the projected impact on the General Fund revenue account forecast would be as follows:

Year:	2022/23	2023/24	2024/25
Forecast:	£'000	£'000	£'000
Surplus (-) /Deficit	257	2,765	2,873
Balances Remaining (-) / Overdrawn	**(8,434)**	**(5,669)**	**(2,796)**
£ Increase	5.00	5.00	5.00
% Increase	2.68%	2.61%	2.54%
Note: Resulting Band D Council Tax	191.89	196.89	201.89

which indicates potential balances of £2.8m (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 within the Council Tax or Business Rates elements of the Collection Fund – subject to the projected impact of the pandemic these may be significantly reduced or could mean a deficit position which would have to be funded in 2022/23 by the preceptors (subject to the Government commitment to allow any deficit arising from the pandemic to be spread over 3 years).

It is proposed that surpluses / deficits be included (and that the relevant amounts be made available to the other precepting authorities – the County Council, Fire & Rescue and Office of the Police & Crime Commissioner (OPCC).

These were impacted in 2020/21 by the effects of the pandemic resulting in a deficit position which was funded in 2021/22 by the preceptors (& subject to the Government requirement to allow any deficit arising from the pandemic to be spread over 3 years).

It is estimated that there will be a surplus of £0.75m for Council Tax, – this has been reduced by the 2020/21 projected deficit (spread over 3 years) of £0.3m.

A deficit of £3,652,635 is reported for 2021/22 (before the reduction relating to the continuation of the 3 year spreading of the 2020/21 deficit of £652,098 to be paid in 2023/24). This will be reduced by additional section 31 grant (received in the General Fund) for the extended retail relief in 2021/22 due to the pandemic, but will need to be transferred to reserve and released during 2021/22 in line with Collection Fund accounting practice.

In addition, due to the pandemic, the Council is required by regulation to spread the deficit over 3 years (net of the additional section 31 grant income) – as follows:

Local Government Share of Deficit after Section 31 grants	Budget 2021/22	Budget 2022/23	Budget 2023/24
Transfer Estimated Balance			
SCC share of Estimated Deficit	£1,599,749	£270,048	£58,689
Staffordshire Fire share of Estimated Deficit	£178,430	£30,005	£6,521
TBC Share of Estimated Deficit	£7,137,191	£1,200,215	£260,839
Sub Total	**£8,915,370**	**£1,500,268**	**£326,049**
Section 31 Grants for additional Business Rate Reliefs			
SCC share	(£1,541,060)	(£211,359)	
Staffordshire Fire	(£171,909)	(£23,484)	
TBC Share	(£6,876,352)	(£939,376)	
Sub Total	**(£8,589,321)**	**(£1,174,219)**	**-**
Estimated Balance after Section 31 grants			
SCC share	£58,689	£58,689	£58,689
Staffordshire Fire	£6,521	£6,521	£6,521
TBC Share	£260,839	£260,839	£260,839
Sub Total	**£326,049**	**£326,049**	**£326,049**

The resulting surplus/deficits for the Council are as follows.

Year:	2022/23	2023/24	2024/25
Council Tax	£'000	£'000	£'000
Council Tax Income	(4,407)	(4,577)	(4,734)
Collection Fund (Surplus) / Deficit (Council Tax)	(75)	30	(33)
Collection Fund (Surplus) / Deficit (Business Rates)	1,200	261	-

The County Council, Staffordshire OPCC and Staffordshire Commissioner Fire & Rescue Authority are due to finalise their budgets for 2022/23 during February 2022. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix H**.

Balances

At the Council meeting on 29th February 2000 Members approved a minimum working level of balances of £0.5m. At 31st March 2022 General Fund Revenue Balances are estimated to be £8.7m, compared with £6.5m 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 (arising from the pandemic) and potential 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 future income levels following the pandemic, local authority pay settlements, the potential for interest rate changes and the future local government finance settlements. A summary of all the budget proposals is shown in the table below. The summary Revenue Budget for 2022/23 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G.**

GF Summary	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Estimated Net Cost of Services	**9,024**	**9,604**	**10,191**
Proposed Policy Changes	(2,424)	(89)	(40)
Change in Recharges	(20)	(19)	(20)
Inflationary impact of policy changes	-	3	7
Net Expenditure	6,580	9,499	10,138
Financing: RSG	(195)	-	-
Collection Fund (Surplus) / Deficit – Council Tax	(75)	30	(33)
Collection Fund Surplus / Deficit – Business Rates	1,200	261	-
Non Domestic Ratepayers	(13,252)	(15,217)	(15,522)
Tariff Payable	10,406	12,769	13,024
Council Tax Income (Model 1)	(4,407)	(4,577)	(4,734)
Gross Financing	(6,323)	(6,734)	(7,265)
Surplus(-)/Deficit	257	2,765	2,873
Balances Remaining (-) / Overdrawn	(8,434)	(5,669)	(2,796)
Per Council, 23rd February 2021	(3,845)	(526)	-
Band D Equivalents	22,968	23,247	23,447

Indicating potential General fund balances of approx. £2.8m over 3 years - including the minimum approved level of £0.5m.

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2021/22 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 2022/23.

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

Technical Adjustments	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Base Budget B/Fwd	343	1,212	(133)	51	(122)
Committee Decisions	1,198	(1,121)	335	0	0
Inflation	201	178	181	187	193
Other	(605)	(493)	(421)	(444)	(487)
Pay Adjustments (Including pay award / reduction of 7.5% for vacancy allowance)	75	91	89	84	84
Revised charges for non-general fund activities	0	0	0	0	0
Virements	0	0	0	0	0
Total / Revised Base Budget	1,212	(133)	51	(122)	(332)

Revisions have been made to the 2021/22 base budget in order to produce an adjusted base for 2022/23 and forecast base for 2023/24 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 – Housing Revenue Account	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
HRA1	Increase in response repairs budget to reflect upward price pressures from the construction market	292.6	-	-	-	-
HRA2	Servicing of specialist disabled equipment installed as part of Disabled Facilities Adaptation - Failure to service and maintain equipment installed as party of a DFA will result in increased costs of renewals	15.0	-	-	-	-
HRA3	Revenue Implications of Capital Programme	-	-	-	50.0	50.0
HAS1	Add cost of cleaners van to HRA Estates budget - used across the HRA estates	2.0	2.0	-	-	-
HAS2	Restructure of Assets Team	70.3	-	-	-	-
HNEI1	Former Tenancy Arrears Officer - extending the temporary full-time post `Former Tenancy Arrears Officer` to address the recovery of HRA's wide range of former arrears until March 2023	14.6	(14.6)	-	-	-
HNEI2	Resident Support Worker – Eringden Block - extending the temporary post `Resident Support Worker` for a further year until March 2023	34.4	(34.4)	-	-	-
HNEI3	Valuation of Housing Revenue Account Assets - auditors have identified some key areas of improvement which will require additional investment	25.0	-	-	-	-
HNEI4	Customer Services - Hire of Security - extension of contract to December 2022	12.3	(12.3)	-	-	-
HNEI5	Extending the temporary post `Housing Regulatory & High Rise Co-ordinator` a further year until March 2023	33.7	(33.7)	-	-	-
HOPS1	Create 3.5 FTE positions within housing maintenance operatives	95.0	-	-	-	-
HOPS2	Increased cost of HMO van to HRA budget	3.0	3.0	-	-	-
HOPS3	Required annually to provide ongoing additional waste collections to HRA flatted areas, to be facilitated by the Councils waste provider	20.0	-	-	-	-
HOPS4	Budget provision to cover the cost of a wide range of neighbourhood works required; eviction storage of items, contaminated rubbish removals, clean following estate incidents etc.	15.0	(15.0)	-	-	-

Item No	Policy Changes Identified – Housing Revenue Account	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
HPEO1	Customer Services Housing Repairs - Extension of temporary contract for temporary member of staff due to finish 31st March 2022 for a further 2 years	27.0	-	(27.0)	-	-
R&R10	Review of Cross subsidy- Charge removed whilst under review (max of 2 years)	229.6	-	(200.0)	-	-
	Total New Items / Amendments	**889.44**	**(104.98)**	**(227.00)**	**50.0**	**50.0**
	Cumulative	889.44	784.46	557.46	607.46	657.46
	Cumulative 5 years					**3,496.3**

Assuming increases in Rent in line with the maximum allowed by the Government's Rent Standard (CPI plus 1% p.a.) in order to support investment in the housing stock, the proposals will mean that balances will remain above the approved minimum level of £0.5m over the five year period.

Summary	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Estimated Net (Surplus) / Deficit	1,212	(133)	51	(122)	(332)
Proposed Policy Changes	889	784	557	607	657
Change in Recharges / inflationary impact	(150)	(142)	(134)	(126)	(117)
Surplus (-) / Deficit	1,951	509	474	360	208
Balances Remaining (-) / Overdrawn	(3,384)	(2,875)	(2,401)	(2,041)	(1,833)

Per Council, 23rd February 2021	(3,160)	(3,069)	(2,790)	(2,665)	-

Indicating Housing Revenue Account (HRA) balances of £2.4m over 3 years (with balances of £1.8m over 5 years) including the minimum recommended balances of £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.

The effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 means that rents were 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 30th 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 2020/21.

For 2022/23 (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 4.1% increase (followed by forecast increases of 3% p.a.), due to the increased cost pressures currently being experienced (although they may be temporary). The MTFS included a forecast increase of 3% p.a. based on the formula allowed under the Rent Setting Guidance of CPI plus 1%.

Given the current level of CPI of 3.1% (September 2021), the forecast increase for 2022/23 will be 4.1% in line with the maximum allowed by the Government's Rent Standard (that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation (for September of the preceding year) plus 1% for five years from 2020) - in order to support the continued investment in the housing stock. Each 1% increase would equate to additional income of c.£200k p.a. (£1m over 5 years).

The following options have been modelled:

	2021/22 £	*2022/23* £	*2023/24* £	*2024/25* £	*2025/26* £	*2026/27* £
Option 1: CPI + 1%						
Rent (52 Weeks)	82.35	85.72	88.30	91.09	93.67	96.48
Rent (48 Weeks)	89.21	92.87	95.65	98.52	101.48	104.52
% Increase	1.5%	4.1%	3.0%	3.0%	3.0%	3.0%
	0	0	0	0	0	0
Option 2: CPI						
Rent (52 Weeks)	82.35	84.90	86.60	88.47	90.10	91.90
Rent (48 Weeks)	89.21	91.98	93.82	95.69	97.61	99.56
% Increase	1.5%	3.1%	2.0%	2.0%	2.0%	2.0%
Reduced Rent compared to Option 1	**-**	**187,670**	**384,780**	**601,910**	**802,380**	**1,023,300**
		5 year impact				**3,000,040**
Option 3: No increase						
Rent (52 Weeks)	82.35	82.35	82.35	82.48	82.35	82.35
Rent (48 Weeks)	89.21	89.21	89.21	89.21	89.21	89.21
% Increase	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Reduced Rent compared to Option 1	**-**	**769,400**	**1,348,520**	**431,640**	**2,541,280**	**3,155,410**
		5 year impact				**8,246,250**
Inflation at CPI + 1%	1.5%	4.1%	3.0%	3.0%	3.0%	3.0%

Balances

The forecast level of balances at 31st March 2022 is £5.3m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Proposed Withdrawal from / Addition to (-) Balances	1,951	509	474	360	208
Balances Remaining (-) / Overdrawn	(3,384)	(2,875)	(2,401)	(2,041)	(1,833)

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 £52m for 2021/22 and an asset base valued at £252m (as at 31st March 2021).

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.

Corporate Management Team (CMT) and the Asset Strategy Steering Group (ASSG) review capital bids. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of CMT / 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 23rd February 2021, 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 Services (GF) and Appendix J – Housing (HRA),** together with the likely available sources of funding (capital receipts / grants / supported borrowing etc).

The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.5m over the next 5 years (£0.3m over 3 years). There has been an increase of c.£3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m, Audio/Visual technology for the Town Hall £87k, Play area refurbishment £55k, increased contingencies £130k and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

There has been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

The updated forecast resources given the significant changes in spend over the 4 years of c.£12.3m means there will be a significant funding gap for the HRA capital programme of c.£5m.

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 £69.893m with planned borrowing in 2021/22 of £703k.

With regard to the contingency schemes/allocation **£220k** remains in current year contingency funds (£120k GF/ £100k HRA) - which will be re-profiled into 2022/23 to provide additional Capital Contingency funding.

Appendix C

Policy Changes Summary

SERVICE AREA	Sheet No.	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	-	20.50	11.00
PEOPLE	2	73.14	(87.94)	(47.41)
OPERATIONS AND LEISURE	3	213.88	(83.44)	(25.80)
EXECUTIVE DIRECTOR FINANCE		-	-	-
FINANCE	4	(2,780.62)	2,673.62	(89.00)
EXECUTIVE DIRECTOR COMMUNITIES		-	-	-
NEIGHBOURHOODS	5	(110.00)	80.00	-
PARTNERSHIPS	6	(171.73)	(57.82)	200.00
ASSETS	7	147.15	-	-
CHIEF EXECUTIVE		-	-	-
GROWTH & REGENERATION	8	204.37	(210.23)	-
TOTAL		**(2,423.81)**	**2,334.69**	**48.79**
Cumulative Cost / (Saving)		**(2,423.81)**	**(89.12)**	**(40.33)**

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000	Budget Changes 25/26 £'000	Budget Changes 26/27 £'000
HRA - SUMMARY	9	537.16	-	(200.00)	50.00	50.00
HRA - ASSETS	10	72.30	2.00	-	-	-
HRA - NEIGHBOURHOODS	11	119.98	(94.98)	-	-	-
HRA - OPERATIONS	12	133.00	(12.00)	-	-	-
HRA - PEOPLE	13	27.00	-	(27.00)	-	-
TOTAL		**889.44**	**(104.98)**	**(227.00)**	**50.00**	**50.00**
Cumulative Cost / (Saving)		889.44	784.46	557.46	607.46	657.46

Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget Changes 22/23 FTE	Budget Changes 23/24 FTE	Budget Changes 24/25 FTE
EXECUTIVE DIRECTOR ORGANISATION	1	-	-	-
PEOPLE	2	3.2	(3.0)	-
OPERATIONS AND LEISURE	3	2.6	(2.6)	-
EXECUTIVE DIRECTOR FINANCE		-	-	-
FINANCE	4	-	-	-
EXECUTIVE DIRECTOR COMMUNITIES		-	-	-
NEIGHBOURHOODS	5	-	-	-
PARTNERSHIPS	6	-	-	-
ASSETS	7	1.0	-	-
CHIEF EXECUTIVE		-	-	-
GROWTH & REGENERATION	8	0.5	(0.3)	-
TOTAL		7.3	(5.9)	-

HOUSING REVENUE ACCOUNT - ASSETS	Sheet No.	Budget Changes 22/23 FTE	Budget Changes 23/24 FTE	Budget Changes 24/25 FTE	Budget Changes 25/26 FTE	Budget Changes 26/27 FTE
HRA - SUMMARY	9	-	-	-	-	-
HRA - ASSETS	10	2.0	-	-	-	-
HRA - NEIGHBOURHOODS	11	3.0	(3.0)	-	-	-
HRA - OPERATIONS	12	3.5	-	-	-	-
HRA - PEOPLE	13	1.0	-	(1.0)	-	-
TOTAL		9.5	(3.0)	(1.0)	-	-

2022/23 Budget Process - Policy Changes

Sheet 1

EXECUTIVE DIRECTOR ORGANISATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000
OR1	Increased cost Legal Shared Service (less ongoing underspend on current budget plus use of retained funds in years 1 and 2)		-	8.50	11.00
OR2	Funding required for ongoing costs associated with Audio/Visual technology to support council meetings at the Town Hall. Budget will cover streaming hours and support/maintenance for the solution	Additional budget required to fund the annual streaming hours for web casted council meetings and for associated solution support and maintenance. Without the streaming annual hours, we would be unable to live stream council meetings and instead, record and publish following the meeting. The leader has requested live streaming be included in the specification subject to confirmation of final costs.	-	12.00	-
	Total New Items / Amendments		**-**	**20.50**	**11.00**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE
	TOTAL		**-**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 2

PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000
PE1	HR - Increase in long service award budget to meet profiled expenditure for the next three years		4.87	(1.29)	2.59
PE2	Customer Services - Extension of temporary contracts for CSA staff due to finish 31st March 2022 for a further year		74.40	(74.40)	-
PE3	Move of iTrent to MHR Cloud services. The current iTrent on premise environment requires a complete reinstall due to end of life version of Windows and SQL server. Ongoing hosting costs are £15k pa est.	Move to utilising more cloud-based services in line with approved ICT Strategy, improved business continuity of essential system, reduce resource required for application upgrades/patches/ maintenance, reduce resources required maintain iTrent server environment and databases – both allowing ICT to focus on delivery of other projects/Strategy related value-add activities. MHR Cloud services will also give greater flexibility of access/availability for iTrent.	15.00	-	-
PE4	Customer Services - Hire of Security - extension of contract to December 2022 (also impact on HRA)		12.25	(12.25)	-
PE5	Communications & Marketing - Revised Staffing Arrangements	To make Head of Corporate Communications a permanent full time role	19.62	-	-
R&R1	Digitalisation of CST service	Improved use of portal and targeted front of house (10% salary savings)	-	-	(50.00)
R&R2	Corporate review of Postage	Targeted saving - Annual budget is £100k on postage (not including amounts in software / printing / statements etc)	(20.00)	-	-
R&R3	Shopmobility	Cease funding	(10.00)	-	-
R&R4	Mobile Phone contract	Review of corporate phones	(8.00)	-	-
R&R5	Review of all IT software contacts	Saving achieved from contract reviews	(5.00)	-	-
R&R6	Health Insurance, Occupational Health and Listening Service	Services to be re-procured & targeted savings to be included	(10.00)	-	-
	Total New Items / Amendments		**73.14**	**(87.94)**	**(47.41)**

STAFFING IMPLICATIONS					
Item No	**Proposal/(Existing Budget)**	**Implications**	**22/23 FTE**	**23/24 FTE**	**24/25 FTE**
PE2	Five temporary Gr B staff to be retained to 31st March 2023 (112.2 hours in total)		3.03	(3.03)	-
PE5	Communications & Marketing - Revised Staffing Arrangements	To make Head of Corporate Communications a permanent full time role	0.19	-	-
	TOTAL		**3.22**	**(3.03)**	**-**

2022/23 Budget Process - Policy Changes

Sheet 3

OPERATIONS AND LEISURE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000
OPS 1	Remove income streams from the activity centre	To remove the income lines for both the crazy golf and the gym within the activity centre. Which will increase bottom line costs	0.58	-	-
			26.40	-	(25.80)
OPS 2	Increase purchase of plants budget	To reinstate the full budget of £30k for the purchase of flowers for Tamworth. The budget was reduced to £15k during the pandemic as only selected sites were planted	15.00	-	-
		A further £10k is requested for 2022/23 so as to enable additional floral displays to enhance the Queens Platinum Jubilee celebrations throughout the town	10.00	(10.00)	-
OPS 3	A budget of £15k be created to provide Members Environmental Improvement Grants.	To provide each member with £500 per annum to use to aid environmental improvements in their ward. The grant can be pooled with other ward members and can be rolled over for up to four financial years to enable larger improvements to be made.	15.00	-	-
OPS 4	An additional revenue budgets required for the purchase of vehicles and mechanical sweepers for the authority.	Additional revenue budgets for the purchase of vehicles and mechanical sweepers for the authority.	56.16	27.56	-
OPS 5	Assembly Rooms - Increase maintenance revenue budget by £33k	The costed maintenance plan for 2022/23 is £35k, however with the current supply chain and market forces it is recommended that this be increased by 20% to ensure all costs are covered, bringing the figure to £42k. Exisitng budget is £9k, therefore the increase required is £33k	33.00	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			22/23	23/24	24/25
			£'000	£'000	£'000
OPS 6	Create additional budget of **£98k** for salaries at the Assembly Rooms.	The reopening of the Assembly Rooms in 2021 commenced in July and phased the return of staff building as the Covid restrictions lifted. In the report that went to Cabinet and Appointments and Staffing, (6th April 2021) it was identified that £98k would be need to fully support this structure from 2022/23. It was agreed at that point that this would be considered within the budget process	101.00	(101.00)	-
OPS 7	Reduction in Income from Staffs County Council	The Council have undertaken 8 annual cuts of SCC grass verges and associated green spaces for many years. In 2018 they indicated that the funding for the service was to be dramatically reduced to the equivalent of two cuts pa. The Council rejected this as not sustainable or safe and after lengthy negotiation it was agreed that the fee would now relate for 6 annual cuts plus payment for the grass cutting of some additional spaces from new developments.	28.28	-	-
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	14.46	-	-
R&R7	Highways Reverse Agency Agreement	Review full service/savings identified	(86.00)	-	-
	Total New Items / Amendments		**213.88**	**(83.44)**	**(25.80)**

STAFFING IMPLICATIONS

			22/23 FTE	23/24 FTE	24/25 FTE
OPS 6	4 posts at assembly rooms, 3 duty managers 1.84 FTE and 0.75 FTE of leisure services post		**2.60**	**(2.60)**	-
	TOTAL		**2.60**	**(2.60)**	**-**

2022/23 Budget Process - Policy Changes			Sheet	4

FINANCE

Item	Proposal/(Existing Budget)	Implications	Budget 22/23 £'000	Budget 23/24 £'000	Budget 24/25 £'000
FIN1	Revised New Homes Bonus	Updated NHB grant notification following confirmation of continuation of scheme for 2022/23	(704.37)	704.37	-
FIN2	Business Rates Levy payment	Inclusion of budget for levy payment following deferral of the Business Rates reset	1,262.64	(1,262.64)	-
FIN3	Lower Tier Grant	Inclusion of income budget for Lower Tier grant notified for 2022/23	(106.98)	106.98	-
FIN4	Business Rates Relief Section 31 Grant	New Burdens funding for Government scheme to reduce business rates charges following deferral of the reset	(2,017.32)	2,017.32	-
FIN5	Local Government Services grant	Inclusion of income budget for new, one-off Services grant notified for 2022/23	(161.21)	161.21	-
FIN6	Revenue Implications of Capital Programme	Repayment of debt (4%) on unsupported borrowing / lost investment income	11.00	2.00	1.00
FIN7	West Midlands Combined Authority contribution (WMCA) - Proposed increase in the annual contribution levels for 2022/23 (£30k) and 2023/24 (£35k).	Non-constituent membership fees have remained flat at £25k per authority since the establishment of the WMCA in June 2016. The contributions from Non-Constituent Authorities reflect their ability to access regeneration funds as well as wider benefits delivered by the WMCA	5.00	5.00	-
FIN8	Transfer from Business Rates Equalisation Reserve, including estimated contributions in 2021/22	Section 31 Grant received in 2021/22 to fund additional Business Rates Relief for small, retail, hospitality and leisure businesses	(939.38)	939.38	
R&R 9	Treasury Management	Targeted saving / income from review of team / active management	(30.00)	-	-
R&R 17	Corporate Management	Targeted savings from Ph.2 R&R service review	(100.00)	-	(90.00)
	Total New Items / Amendments		**(2,780.62)**	**2,673.62**	**(89.00)**

2022/23 Budget Process - Policy Changes

Sheet 5

NEIGHBOURHOODS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000
R&R 11	Private Sector Leasing (PSL) scheme	Revenue savings from cessation of scheme	(30.00)	-	-
R&R 12	Flexible Housing Support Grant	Saving on Reserve Account to be returned to balances	(80.00)	80.00	-
	Total New Items / Amendments		**(110.00)**	**80.00**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE
	TOTAL		**-**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 6

PARTNERSHIPS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000
PAR1	To maintain the level of potential income on car park enforcement at agreed pandemic level of £57,750 plus inflation for 2022/23		57.82	(57.82)	-
R&R 10	Review of Cross subsidy	Notional owner occupier costs - Charge removed whilst under review (max of 2 years)	(229.55)	-	200.00
	Total New Items / Amendments		**(171.73)**	**(57.82)**	**200.00**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE
	TOTAL		**-**	**-**	**-**

2022/23 Budget Process - Policy Changes				**Sheet**	**7**

ASSETS

Item No	**Proposal/(Existing Budget)**	**Implications**	**Budget Change 22/23 £'000**	**Budget Change 23/24 £'000**	**Budget Change 24/25 £'000**
AST1	Valuation of General Fund Assets	There is a requirement to value assets on an annual basis for the accounts. Our auditors have identified some key areas of improvement which will require additional investment.	50.00	-	-
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	44.25	-	-
AST3	Servicing of castle grounds toilet facilities	This reflects the increase ongoing cost of servicing and cleansing of the castle ground toilets in order to keep them operational.	1.50	-	-
AST4	Restructure of Assets Team	Restructuring of Assets Team to meet service delivery needs. Includes addition team members to address compliance works along with changes to head of service roles to provide greater resilience and more clarity around areas of responsibility. The costs are split across HRA and GF budgets. Additional resource to assist in the management of commerical and industrial properties has been included.	51.40	-	-
	Total New Items / Amendments		**147.15**	**-**	**-**

STAFFING IMPLICATIONS

Item No	**Proposal/(Existing Budget)**	**Implications**	**22/23 FTE**	**23/24 FTE**	**24/25 FTE**
AST4	Restructure of Assets Team		**1.0**	**-**	**-**
	TOTAL		**1.0**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 8

GROWTH & REGENERATION

Item	Proposal/(Existing Budget)	Implications	Budget 22/23 £'000	Budget 23/24 £'000	Budget 24/25 £'000
G&R1	A c 30% drop in planned revenue in car parking revenue for financial year2022 / 2023 compared to 2019/2020.	The COVID-19 pandemic has closed significant portions of the economy and as such in 2020/2021 and parts of 2021/ 2022 has had a significant impact on car park income to date. Wider projects across the Town Centre, indicate that usage and footfall is still only at best 70% of pre pandemic levels. At this time it is difficult to predict likely impact on car parking revenue throughout 2022 / 2023. It is thought high likely that revenue will be still be impacted as people swap habits as a result of the pandemic and the affects construction in the Town centre as a result of FHSF projects is unclear. The budget for the current financial year, expects a 40% decrease in anticipated revenue against pre pandemic levels. Estimates for fy 2022 / 2023 are a c 70% return based on 2019 / 2020 income projections.	240.00	**(240.00)**	-
			16.55	**(16.55)**	-
G&R2	Providing additional salary to budget to underpin the costs of a new post, approved earlier in the year. The Castle is required to provide 25% of the salary plus on costs which for the next financial year is £10,065. The request is for ongoing budget to support the position ofss Heritage and Facilities Officer.	A new post of Heritage and Leisure Facilities Officer was approved at the April 2021 Appointment and Staffing Committee. The post ensures that venues such as the Assembly Rooms, Castle, Town Hall and Activity centre are well maintained and fit for audiences, removing the duties from the Arts & Events staff and Castle Manager thus enabling these roles to fully concentrate on delivering their specific agendas.	10.00	**(10.00)**	-
G&R3	The proposal is to permanently extend the hours of our Public Health Officer post from 30 hours per week to 37 hours per week. This change is currently being funded through reserve budgets and it is requested that a Policy change be agreed to make this permanent.	The previous post holder had previously reduced their hours to 30 hours per week and retired in 2021. This post is essential to the Environmental Health service and is heavily involved in dealing with infectious diseases, Covid-19 outbreaks, dealing with Illegal Traveller Encampments and Licensing Applications. When we recruited a replacement it was essential for the team that this be a full time post and a business case was agreed to fulfil this need using reserve budgets. It is essential that sufficient Officer capacity is maintained in the Environmental Health Service and if approved, this Policy change will be make a big difference.	7.15		-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			22/23	23/24	24/25
			£'000	£'000	£'000
G&R4	The proposal is to remove the predicted reduction in general admission income at the castle as we emerge from pandemic restrictions. Adjustment to 2021/22 policy change	When the policy change recommendations were made in respect of visitor admissions the recovery of this aspect of the service was anticipated to take several years. Given the positive indications in 21/22 it is recommended that the full budget be reinstated for 22/23.	(54.64)	**54.60**	-
G&R5	Castle Staffing Review	Additional costs arising from the castle report	6.42	**1.72**	-
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	6.89	-	-
R&R8	Expand street scene Service to cover all Corporate properties - castle outside	Efficiencies from in house service provision	(3.00)	-	-
R&R 13	Review of Income	Planning fees and enforcement	(20.00)	-	-
R&R 14	Increase service offer	planning advice , site appraisals and TPOs	(10.00)	-	-
R&R 15	Review of Income	Re-active service at present need to scope and review	(10.00)	-	-
R&R 16	Street trading	Reduction in income budget	15.00	-	-
	Total New Items / Amendments		**204.37**	**(210.23)**	**-**

STAFFING IMPLICATIONS

			22/23	23/24	24/25
			FTE	FTE	FTE
G&R2	0.25 FTE towards leisure services officer under the Assembly rooms		**0.25**	**(0.30)**	**-**
G&R3	0.2 FTE on environmental health		**0.20**	**-**	**-**
	TOTAL		**0.45**	**(0.30)**	**-**

2022/23 Budget Process - Policy Changes						Sheet	9

HOUSING REVENUE ACCOUNT - SUMMARY

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000	Budget Change 25/26 £'000	Budget Change 26/27 £'000
HRA1	Increase in response repairs budget to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This	292.61	-	-	-	-
HRA2	Servicing of specialist disabled equipment installed as part of Disabled Facilities Adaptation	Failure to service and maintain equipment installed as part of a DFA will result in increased costs of renewals	15.00	-	-	-	-
HRA3	Revenue Implications of Capital Programme	Repayment of debt (4%) on unsupported borrowing / lost investment income	-	-	-	50.00	50.00
R&R 10	Review of Cross subsidy	Notional owner occupier costs - Charge removed whilst under review (max of 2 years)	229.55	-	(200.00)	-	-
	Total New Items / Amendments		**537.16**	**-**	**(200.00)**	**50.00**	**50.00**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
	TOTAL		-	-	-	-	-

2022/23 Budget Process - Policy Changes

Sheet 10

HOUSING REVENUE ACCOUNT - ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000	Budget Change 25/26 £'000	Budget Change 26/27 £'000
HASS1	Add cost of cleaners van to HRA Estates budget	Cleaners vans is not being used for corporate assets but is being used across the HRA estates	2.00	2.00	-	-	-
HASS2	Restructure of Assets Team	Restructuring of Assets Team to meet service delivery needs. Includes addition team members to address compliance works along with changes to head of service roles to provide greater resilience and more clarity around areas of responsibility. The costs are split across HRA and GF budgets.	70.30	-	-	-	-
	Total New Items / Amendments		**72.30**	**2.00**	**-**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
HASS2	Restructure of Assets Team		**2.0**	**-**	**-**	**-**	**-**
	TOTAL		**2.0**	**-**	**-**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 11

HOUSING REVENUE ACCOUNT - NEIGHBOURHOODS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000	Budget Change 25/26 £'000	Budget Change 26/27 £'000
HNEI1	Former Tenancy Arrears Officer - Budget provision to cover the cost of extending the temporary full-time post `Former Tenancy Arrears Officer` within Mike Buckland's department to address the recovery of HRA's wide range of former arrears until March 2023 on a Grade D.		14.65	(14.65)	-	-	-
HNEI2	Resident Support Worker – Eringden Block - Budget provision to cover the cost of extending the temporary post `Resident Support Worker` at Eringden Block for a further year until March 2023 on a Grade D.		34.40	(34.40)	-	-	-
HNEI3	Valuation of Housing Revenue Account Assets	There is a requirement to value assets on an annula basis for the accounts. Our auditors have identified some key areas of improvement which will require additional investment.	25.00	-	-	-	-
HNEI4	Customer Services - Hire of Security - extension of contract to December 2022		12.25	(12.25)	-	-	-
HNEI5	Extending the temporary post `Housing Regulatory & High Rise Co-ordinator` a further year until March 2023 on a Grade E.		33.68	(33.68)	-	-	-
	Total New Items / Amendments		**119.98**	**(94.98)**	**-**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
HNEI1	Former Tenancy Arrears Officer - extending the temporary full-time post to address the recovery of HRA's wide range of former arrears until March 2023 on a Grade D		**1.0**	**(1.0)**	-	-	-
NEI2	Resident Support Worker – Eringden Block - Bextending the temporary post `Resident Support Worker` at Eringden Block for a further year until March 2023 on a Grade D		**1.0**	**(1.0)**	-	-	-
NEI5	Extending the temporary post `Housing Regulatory & High Rise Co-ordinator` a further year until March 2023 on a Grade E		**1.0**	**(1.0)**	-	-	-
	TOTAL		**3.0**	**(3.0)**	**-**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 12

HOUSING REVENUE ACCOUNT - OPERATIONS

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000	Budget Change 25/26 £'000	Budget Change 26/27 £'000
HOPS1	Create 3.5 FTE positions within housing maintenance operatives	circa £95k to fund three additional Housing maintenance operatives - 3 full time positions, together with a 50% share in the funding of the Waste and Environmental Officer to oversee the coordination of works within Streetscene.	95.00	-	-	-	-
HOPS2	Add cost of HMO van to HRA budget	Increased costs of vans following tender exercise	3.00	3.00		-	-
HOPS3	Required annually to provide ongoing additional waste collections to HRA flatted areas, to be facilitated by the Councils waste provider		20.00	-	-	-	-
HOPS4	Budget provision to cover the cost of a wide range of neighbourhood works required; eviction storage of items, contaminated rubbish removals, clean following estate incidents etc.		15.00	(15.00)	-	-	-
	Total New Items / Amendments		**133.00**	**(12.00)**	**-**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
HOPS1	Create 3.5 FTE positions within housing maintenance operatives		**3.5**	**-**	-	-	-
	TOTAL		**3.5**	**-**	**-**	**-**	**-**

2022/23 Budget Process - Policy Changes

Sheet 13

HOUSING REVENUE ACCOUNT - PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change 22/23 £'000	Budget Change 23/24 £'000	Budget Change 24/25 £'000	Budget Change 25/26 £'000	Budget Change 26/27 £'000
HPEO1	Customer Services Housing Repairs - Extension of temporary contract for temporary member of staff due to finish 31st March 2022 for a further 2 years		27.0	-	(27.0)	-	-
	Total New Items / Amendments		**27.00**	**-**	**(27.00)**	**-**	**-**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
HPEO1	One temporary full time post to be retained to 31st March 2024		1.00	-	(1.00)	-	-
	TOTAL		**1.00**	**-**	**(1.00)**	**-**	**-**

Appendix D

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2022/23

	Base Budget 2021/22	Technical Adjustments	Policy Changes	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£	£	£	£	£	£	£	£
Income								
Dwelling Rents	(18,732,250)	(784,130)	-	(19,516,380)	(19,999,200)	(20,493,410)	(20,999,270)	(21,517,040)
Non-Dwelling Rents	(389,980)	19,640	-	(370,340)	(379,110)	(388,100)	(397,310)	(406,750)
Charges for Services and Facilities	(838,140)	5,270	-	(832,870)	(845,240)	(857,390)	(869,850)	(881,740)
Contributions Towards Expenditure	(1,440,100)	107,140	229,550	(1,103,410)	(1,091,480)	(1,291,510)	(1,291,540)	(1,291,570)
Subtotal	**(21,400,470)**	**(652,080)**	**229,550**	**(21,823,000)**	**(22,315,030)**	**(23,030,410)**	**(23,557,970)**	**(24,097,100)**
Expenditure								
Repairs and Maintenance	5,401,510	1,345,020	334,610	7,081,140	6,085,170	6,161,350	6,333,170	6,507,900
Supervision and Management	6,230,220	(180,240)	325,280	6,375,260	6,477,810	6,681,340	6,885,490	7,093,010
Rents, Rates, Taxes and Other Charges	33,970	4,090	-	38,060	38,670	39,280	39,920	40,560
Increase in Provision for Bad Debts	193,200	(7,800)	-	185,400	105,600	105,700	105,900	106,000
Depreciation and impairment of non-current assets	2,860,230	73,200	-	2,933,430	2,933,430	2,933,430	2,933,430	2,933,430
Debt Management Costs	26,580	400	-	26,980	26,980	26,980	26,980	26,980
Subtotal	**14,745,710**	**1,234,670**	**659,890**	**16,640,270**	**15,667,660**	**15,948,080**	**16,324,890**	**16,707,880**
Net cost of HRA Services per Authority I&E	**(6,654,760)**	**582,590**	**889,440**	**(5,182,730)**	**(6,647,370)**	**(7,082,330)**	**(7,233,080)**	**(7,389,220)**
Corporate and Democratic Core	20,440	4,730	-	25,170	25,800	26,450	27,110	27,790
Net Cost of HRA Services	**(6,634,320)**	**587,320**	**889,440**	**(5,157,560)**	**(6,621,570)**	**(7,055,880)**	**(7,205,970)**	**(7,361,430)**
Interest Payable and Similar Charges	2,745,430	(61,630)	-	2,683,800	2,683,800	2,683,800	2,733,800	2,783,800
Interest Receivable and Similar Income	(229,220)	192,950	-	(36,270)	(14,160)	(14,400)	(28,670)	(75,310)
Surplus/ Deficit for the year	**(4,118,110)**	**718,640**	**889,440**	**(2,510,030)**	**(3,951,930)**	**(4,386,480)**	**(4,500,840)**	**(4,652,940)**

Statement of Movement on the HRA Balance

Surplus or Deficit for the year	**(4,118,110)**	718,640	889,440	**(2,510,030)**	**(3,951,930)**	**(4,386,480)**	**(4,500,840)**	**(4,652,940)**
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	4,460,720	-	-	4,460,720	4,460,720	4,860,720	4,860,720	4,860,720
(Increase)/ Decrease in HRA Balances	**342,610**	**718,640**	**889,440**	**1,950,690**	**508,790**	**474,240**	**359,880**	**207,780**

Appendix E

General Fund Summary Budgets – 2022/23

Figures exclude internal recharges which have no bottom line impact.	Base Budget 2021/22 £	Technical Adjustments £	Policy Changes £	Budget 2022/23 £
Chief Executive	1,716,140	434,320	-	2,150,460
AD Growth & Regeneration	765,070	(219,980)	204,370	749,460
ED Organisation	474,480	21,590	-	496,070
AD People	1,866,050	(89,010)	73,140	1,850,180
AD Operations & Leisure	2,708,480	(2,240)	213,880	2,920,120
ED Finance	86,670	(1,390)	-	85,280
AD Finance	(1,821,470)	1,932,460	(1,841,240)	(1,730,250)
ED Communities	-	0	-	0
AD Assets	(588,150)	(87,960)	147,150	(528,960)
AD Neighbourhoods	968,580	(91,430)	(110,000)	767,150
AD Partnerships	958,770	(26,760)	(171,730)	760,280
Total Cost of Services	**7,134,620**	**1,869,600**	**(1,484,430)**	**7,519,790**
Transfer from Business Rates Reserve	(6,876,350)	6,876,350	(939,380)	(939,380)
Net Cost	**258,270**	**8,745,950**	**(2,423,810)**	**6,580,410**
Transfer to / (from) Balances	(206,157)	(51,434)	-	(257,591)
Revenue Support Grant	(188,572)	(6,076)	-	(194,648)
Retained Business Rates	(13,166,215)	(86,098)	-	(13,252,313)
Less: Tariff payable	10,405,841	-	-	10,405,841
Collection Fund Surplus (Council Tax)	(60,376)	(14,208)	-	(74,584)
Collection Fund Deficit (Business Rates)	7,137,191	(5,936,976)	-	1,200,215
Council Tax Requirement	(4,179,982)	(2,651,158)	2,423,810	(4,407,330)

Appendix F1

General Fund – Technical Adjustments 2022/23 (before policy changes)

	Budget 2021/22	Technical Adjustments Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £	Total Adjustments £	Total Adjusted Base 2022/23
Chief Executive	1,716,140	-	450,790	(22,250)	(5,860)	13,440	-	436,120	**2,152,260**
AD Growth & Regeneration	765,070	-	(180,100)	(4,370)	(82,560)	67,480	-	(199,550)	**565,520**
ED Organisation	474,480	(3,000)	1,100	12,100	(17,480)	6,860	-	(420)	**474,060**
AD People	1,866,050	-	(147,400)	15,250	38,710	33,660	-	(59,780)	**1,806,270**
AD Operations & Leisure	2,708,480	(21,390)	(31,230)	4,390	(23,120)	68,640	-	(2,710)	**2,705,770**
ED Finance	86,670	-	-	110	(2,610)	2,770	-	270	**86,940**
AD Finance	(8,697,820)	-	8,735,880	5,730	5,180	34,490	-	8,781,280	**83,460**
ED Communities	-	-	-	-	-	-	-	-	**-**
AD Assets	(588,150)	-	900	15,070	(101,450)	6,350	-	(79,130)	**(667,280)**
AD Neighbourhoods	968,580	-	-	1,650	(98,700)	14,870	-	(82,180)	**886,400**
AD Partnerships	958,770	24,390	(41,980)	(2,810)	(7,100)	(310)	-	(27,810)	**930,960**
Grand Total	**258,270**	**-**	**8,787,960**	**24,870**	**(294,990)**	**248,250**	**-**	**8,766,090**	**9,024,360**

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

Appendix F2

HRA Technical Adjustments – 2022/23 (before policy changes)

	Budget 2021/22	Technical Adjustments Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £	Total Adjustments £	Total Adjusted Base 2022/23
HRA Summary	(3,619,920)	-	1,188,850	158,350	(571,020)	-	-	776,180	**(2,843,740)**
ED Communities	72,720	-	-	50	(210)	2,770	-	2,610	**75,330**
AD People	232,950	-	(27,310)	220	2,670	6,530	-	(17,890)	**215,060**
AD Operations & Leisure	144,630	-	-	310	760	2,540	-	3,610	**148,240**
AD Assets	68,030	-	36,670	2,980	(9,750)	21,660	-	51,560	**119,590**
AD Neighbourhoods	3,444,200	-	(500)	39,370	(27,530)	41,520	-	52,860	**3,497,060**
Housing Repairs	-	-	-	-	-	-	-	-	**-**
Grand Total	**342,610**	**-**	**1,197,710**	**201,280**	**(605,080)**	**75,020**	**-**	**868,930**	**1,211,540**

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

Appendix G

General Fund 3 Year Revenue Budget Summary

Figures exclude internal recharges which have no bottom line impact.	Base Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £	Budget 2024/25 £
Chief Executive	1,716,140	2,150,460	2,170,000	2,132,890
AD Growth & Regeneration	765,070	749,460	396,560	431,880
ED Organisation	474,480	496,070	535,360	566,230
AD People	1,866,050	1,850,180	1,828,200	1,845,120
AD Operations & Leisure	2,708,480	2,920,120	2,933,540	2,987,330
ED Finance	86,670	85,280	88,180	91,160
AD Finance	(1,821,470)	(1,730,250)	662,230	933,910
AD Assets	(588,150)	(528,960)	(708,420)	(687,630)
AD Neighbourhoods	968,580	767,150	864,500	885,590
AD Partnerships	958,770	760,280	727,830	951,140
Total Cost of Services	**7,134,620**	**7,519,790**	**9,497,980**	**10,137,620**
Transfer from Business Rates Reserve	(6,876,350)	(939,380)	-	-
Net Cost	**258,270**	**6,580,410**	**9,497,980**	**10,137,620**
Transfer to / (from) Balances	(206,157)	(257,591)	(2,763,497)	(2,873,528)
Revenue Support Grant	(188,572)	(194,648)	-	-
Retained Business Rates	(13,166,215)	(13,252,313)	(15,217,244)	(15,521,589)
Less: Tariff payable	10,405,841	10,405,841	12,769,033	13,024,414
Business Rates S.31 Grants				
Business Rates Levy				
Collection Fund Surplus (Council Tax)	(60,376)	(74,584)	30,188	(33,000)
Collection Fund Deficit (Business Rates)	7,137,191	1,200,215	260,839	-
Council Tax Requirement	(4,179,982)	(4,407,330)	(4,577,299)	(4,733,917)

Appendix H

Council Tax levels at each band for 2022/23

Authority:	Tamworth Borough Council Tax 2021/22	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Staffordshire Commissioner Fire and Rescue Authority	**Total 2022/23**	Total Council Tax 2020/21
	£	£	£	£	£	**£**	£
Demand/Precept on Collection Fund		4,407,330	32,185,058	5,709,156	1,845,479	**44,147,023**	
Council Tax Band							
A	124.59	*127.93*	*934.20*	*165.71*	*53.57*	**1,281.41**	1,243.24
B	145.36	*149.25*	*1,089.90*	*193.33*	*62.49*	**1,494.97**	1,450.44
C	166.12	*170.57*	*1,245.60*	*220.95*	*71.42*	**1,708.54**	1,657.65
D	**186.89**	*191.89*	*1,401.30*	*248.57*	*80.35*	**1,922.11**	1,864.86
E	228.42	*234.53*	*1,712.70*	*303.81*	*98.21*	**2,349.25**	2,279.28
F	269.95	*277.17*	*2,024.10*	*359.05*	*116.06*	**2,776.38**	2,693.68
G	311.48	*319.82*	*2,335.50*	*414.28*	*133.92*	**3,203.52**	3,108.10
H	373.78	*383.78*	*2,802.60*	*497.14*	*160.70*	**3,844.22**	3,729.72
% increase	2.83%	2.68%	2.99%	4.19%	1.99%	3.07%	3.78%

*

Staffordshire County Council Cabinet 26th January 2022, Medium Term Financial Strategy 2022/27 and 2022/23 Budget and Council Tax (County Council, 10th February 2022)

Staffordshire Police, Fire, and Crime Panel – 31st January 2022, Proposed Police Budget and Precept 2022/23

Staffordshire Police, Fire, and Crime Panel – 14th February 2022, Fire Revenue Budget Report (incl. MTFS and Precept)

Appendix I

General Fund Capital Programme 2022/23 to 2026/27

General Fund Capital Programme	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
Future High Streets Fund	9,994,600	1,848,810	-	-	-	**11,843,410**
Replacement PC's, Servers and Printers	60,000	60,000	60,000	40,000	40,000	**260,000**
Endpoint Protection and Web-Email Filter	40,000	-	-	40,000	-	**80,000**
Recovery & Reset ICT requirements	523,000	-	-	-	-	**523,000**
ICT Audio/Video Technology for Town Hall	87,000	-	-	-	-	**87,000**
Street Lighting	-	233,600	120,000	50,960	-	**404,560**
Balancing Ponds	-	230,000	100,000	300,000	220,000	**850,000**
Refurbishment of Play Areas	35,000	20,000	-	-	-	**55,000**
Disabled Facilities Grant	650,000	650,000	650,000	650,000	650,000	**3,250,000**
Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	75,000	75,000	**375,000**
Recovery and Reset Programme	150,000	150,000	150,000	150,000	150,000	**750,000**
CCTV Upgrades	45,710	45,710	45,710	45,710	45,710	**228,550**
GF Contingency	100,000	-	-	-	-	**100,000**
GF Contingency Castle Curtain Wall	30,000	-	-	-	-	**30,000**
Total General Fund Capital	**11,790,310**	**3,313,120**	**1,200,710**	**1,351,670**	**1,180,710**	**18,836,520**
Proposed Financing:						
Grants - Disabled Facilities	546,890	546,890	546,890	546,890	546,890	**2,734,450**
Capital Grants	156,710	30,000	-	-	-	**186,710**
General Fund Capital Receipts	4,400	204,400	4,400	4,400	59,400	**277,000**
Golf Course Receipts	-	1,848,810	-	-	-	**1,848,810**
Sale of Council House Receipts	138,710	229,020	225,420	251,420	280,420	**1,124,990**
General Fund Capital Reserve	673,000	380,000	370,000	474,960	170,000	**2,067,960**
Other Contributions	10,018,600	24,000	24,000	24,000	24,000	**10,114,600**
Unsupported Borrowing	252,000	50,000	30,000	50,000	100,000	**482,000**
Total	**11,790,310**	**3,313,120**	**1,200,710**	**1,351,670**	**1,180,710**	**18,836,520**

Appendix J

Housing Revenue Account Capital Programme 2021/22 to 2025/26

Housing Revenue Account Capital Programme	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**	**TOTAL £**
Structural Works	275,000	275,000	275,000	275,000	275,000	**1,375,000**
Bathroom Renewals	575,000	575,000	575,000	575,000	575,000	**2,875,000**
Gas Central Heating Upgrades and Renewals	685,500	685,500	685,500	685,500	685,500	**3,427,500**
Kitchen Renewals	700,000	700,000	700,000	700,000	700,000	**3,500,000**
Major Roofing Overhaul and Renewals	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	**7,500,000**
Window and Door Renewals	400,000	400,000	400,000	400,000	400,000	**2,000,000**
Neighbourhood Regeneration	500,000	500,000	500,000	500,000	500,000	**2,500,000**
Disabled Facilities Adaptations	250,000	250,000	250,000	250,000	250,000	**1,250,000**
Rewire	150,000	150,000	150,000	150,000	150,000	**750,000**
CO2 / Smoke Detectors	64,000	64,000	64,000	64,000	64,000	**320,000**
Sheltered Schemes	100,000	100,000	100,000	100,000	100,000	**500,000**
Energy Efficiency Improvements	70,000	70,000	70,000	70,000	70,000	**350,000**
Fire Risk Mitigation Works	300,000	300,000	300,000	-	-	**900,000**
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000	**500,000**
Decarbonisation	3,200,000	-	-	-	-	**3,200,000**
High Rise Refuse Chute Renewals	150,000	150,000	150,000	-	-	**450,000**
Works to Achieve Zero Carbon	-	-	2,500,000	2,500,000	2,500,000	**7,500,000**
Sheltered Lifts and Stairlift Renewals	360,000	250,000	50,000	50,000	50,000	**760,000**
Fire Alarm Panel Renewals	50,000	-	-	-	-	**50,000**
Scooter Storage at High Rise	30,000	30,000	-	-	-	**60,000**
Upgrade Pump Rooms at High Rise	25,000	25,000	-	-	-	**50,000**
Retention of Garage Sites	750,000	-	-	-	-	**750,000**
Capital Salaries	200,000	200,000	200,000	200,000	200,000	**1,000,000**
Street Lighting	-	350,400	180,000	76,440	-	**606,840**
Telecare System Upgrades	30,000	-	-	-	-	**30,000**
Regeneration & Affordable Housing	250,000	250,000	250,000	1,750,000	1,750,000	**4,250,000**
Total HRA Capital	**10,714,500**	**6,924,900**	**8,999,500**	**9,945,940**	**9,869,500**	**46,454,340**

Housing Revenue Account Capital Programme	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**	**TOTAL £**
Proposed Financing:						
Major Repairs Reserve	4,116,500	2,933,500	2,933,500	2,932,500	2,933,500	**15,849,500**
HRA Capital Receipts	420,000	350,400	1,250,000	-	-	**2,020,400**
Regeneration Revenue Reserves	2,648,000	3,341,000	3,136,000	3,811,000	3,886,000	**16,822,000**
Capital Receipts from Additional Council House Sales (1-4-1)	100,000	100,000	100,000	626,000	550,000	**1,476,000**
Regeneration Reserve	2,430,000	200,000	180,000	76,440	-	**2,886,440**
Affordable Housing Reserve	-	-	1,400,000	-	-	**1,400,000**
Other	1,000,000	-	-	-	-	**1,000,000**
Unsupported Borrowing	-	-	-	2,500,000	2,500,000	**5,000,000**
Total	**10,714,500**	**6,924,900**	**8,999,500**	**9,945,940**	**9,869,500**	**46,454,340**

Appendix K

Main Assumptions

Inflationary Factors	2022/23	2023/24	2024/25	2025/26	2026/27
Inflation Rate - Pay Awards	2.50%	2.50%	2.50%	2.50%	2.50%
National Insurance	10.25%	10.25%	10.25%	10.25%	10.25%
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)	2.25%	2.10%	2.08%	2.00%	2.00%
Investment Rates	0.25%	0.50%	0.50%	1.00%	2.00%
Base Interest Rates	0.20%	0.40%	0.60%	1.00%	1.00%

1. For 2019/20 a 2% increase in Local Government pay was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. An offer of a 1.75% increase is subject to union ballot and is still to be agreed for 2021/22 and future years also remain uncertain. A 2.5% p.a. increase from 2022/23 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 2023/24 after an inflationary increase for 2022/23, following the deferral of the funding reforms. The impact for the Council was confirmed by DLUHC as part of the *Local Government Finance Settlement* with a provisional announcement in December 2021.

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. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk ‘capping’ (confirmed at £5 for District Councils for 2022/23);

8. 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;

9. Future Pension contribution levels – following an option to ‘freeze’ the ‘lump sum’ element for the 3 years from 2020/21 (after the triennial review during 2019), 2% p.a. year on year increases have been included from 2023/24;

10. 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.

11. Forecasts have been informed by the Bank of England Inflation report (August 2021), HM Treasury – Forecasts for the UK Economy (August 2021), Office for Budget Responsibility Economic & Fiscal Outlook (March 2021).

Appendix L

Sensitivity Analysis (3 years)

	Risk	Potential Budgetary Effect 2022/23 £'000	2023/24 £'000	2024/25 £'000
Pay Award / National Insurance (GF)				
Impact +/- 0.5% Variance £'000	L	46	94	143
Budget Impact over 1 year	L	46		
Budget Impact over 3 years	M	283		
Budget Impact over 5 years	M	721		
Pay Award / National Insurance (HRA)				
Impact +/- 0.5% Variance £'000	L	14	28	43
Budget Impact over 1 years	L	14		
Budget Impact over 3 years	L	85		
Budget Impact over 5 years	M	218		

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

	Risk	2022/23 £'000	2023/24 £'000	2024/25 £'000
Pension Costs				
Impact +/- 0.5% Variance £'000	L	0	62	126
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	188		
Budget Impact over 5 years	M	640		

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

	Risk	2022/23 £'000	2023/24 £'000	2024/25 £'000
Council Tax				
Impact on Council Tax income £'000		42	67	94
Budget Impact over 1 year	L	42		
Budget Impact over 3 years	L	203		
Budget Impact over 5 years	M	477		
Inflation / CPI				
Impact +/- 0.5% Variance £'000	L	66	126	187
Budget Impact over 1 year	L	66		
Budget Impact over 3 years	L	379		
Budget Impact over 5 years	M	943		
Government Grant				
Impact +/- 1.0% Variance £'000	L	47	72	97
Budget Impact over 1 year	L	47		
Budget Impact over 3 years	L	216		
Budget Impact over 5 years	M	486		

Investment Interest

	Risk	Potential Budgetary Effect 2022/23 £'000	2023/24 £'000	2024/25 £'000
Impact +/- 0.5% Variance £'000	L	203	276	331
Budget Impact over 1 year	L	203		
Budget Impact over 3 years	H	810		
Budget Impact over 5 years	H	1625		
Key Income Streams (GF)				
Impact +/- 10% Variance £'000	L	192	407	629
Budget Impact over 1 year	L	192		
Budget Impact over 3 years	H	1228		
Budget Impact over 5 years	H	3177		
Key Income Streams (HRA)				
Impact +/- 1% Variance £'000	L	195	395	600
Budget Impact over 1 years	L	195		
Budget Impact over 3 years	H	1190		
Budget Impact over 5 years	H	3025		
Business Rates				
Impact +/- 0.5% Variance £'000	L	75	151	228
Budget Impact over 1 year	L	75		
Budget Impact over 3 years	M	454		
Budget Impact over 5 years	H	1149		

Appendix M

Contingencies 2022/23 - 2026/27

Revenue	2022/23	2023/24	2024/25
Specific Earmarked &	£'000	£'000	£'000
General			
General Fund			
General Contingency re Income Targets	169	169	169
Total General Contingency	169	169	169
Total GF Revenue	169	169	169
Housing Revenue Account			
HRA - General Contingency	130	130	130
Total HRA Revenue	**130**	**130**	**130**

Capital	2022/23	2023/24	2024/25	2025/26	2026/27
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
General Contingency	**100**	**-**	**-**	**-**	**-**
Return on Investment*	20	-	-	-	-
Plant & Equipment*	100	-	-	-	-
Total GF Capital	**220**	**-**	**-**	**-**	**-**
Housing Revenue Account					
General Contingency*	**100**	**-**	**-**	**-**	**-**
Total HRA Capital	**100**	**-**	**-**	**-**	**-**

* Forecast to be re-profiled from 2021/22 Capital Programme

APPENDIX N

TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23

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 2022/3 – 2024/25 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**.

Report Author Please contact Jo Goodfellow, Head of Finance, ext 241 or Stefan Garner, Executive Director Finance, ext 242

***Background Papers**:-*	***Budget & Medium Term Financial Strategy 2022/23***
	Mid-year Treasury Report 2021/22 Council, 14/12/21
	Annual Treasury Report 2020/21 Council 21/09/21
	Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Statement 2021/22 Council 23/02/21
	Treasury Management Training slides 20th November 2019
	CIPFA Code of Practice on Treasury Management in Public Services 2017
	CIPFA Code of Practice on Treasury Management in Public Services 2021
	CIPFA Prudential Code for Capital Finance in Local Authorities 2021
	DCLG Guidance on Local Government Investments March 2010
	Local Government Act 2003
	Treasury Management Practices 2022/23 (Operational Detail)

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.

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.

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.

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 the 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.

The 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.

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 2022/23

The strategy for 2022/23 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated Prudential Indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury Management Issues

- the current treasury position;

- treasury indicators which 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, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIFPA Prudential Code, and the CIPFA Treasury Management Code.

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. Training on Treasury Management issues was most recently delivered for Members in November 2019, with training on the Corporate Capital Strategy in February 2020, and will be provided as and when required. Further training is planned in February 2022. The training needs of Treasury Management officers are regularly reviewed.

1.5 Treasury Management Consultants

The Council uses Link Group, 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.

1.6 Updated Treasury Management and Prudential Codes

CIPFA released new editions of the Treasury Management Code and Prudential Code on 20th December 2021. CIPFA has stated that there will be a soft launch of the codes and that Councils may defer introducing revised reporting requirements until 2023/24 financial year. Annex 11 sets out a summary of the revised requirements. We are working to ensure that the Council is fully compliant by that date.

2. THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

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	2020/21 Actual	2021/22 Predicted Outturn*	2021/22 Budget	2021/22 Re-profiling	2022/23 Estimate**	2023/24 Estimate	2024/25 Estimate
Non-HRA	1.133	5.942	18.020	11.974	11.790	3.313	1.201
HRA	8.396	10.588	21.458	10.173	10.715	6.925	9.000
Commercial Activities/Non-Financial Investments ***	-	4.083	12.849	4.718	-	-	-
Total	**9.529**	**20.613**	**52.327**	**26.865**	**22.505**	**10.238**	**10.200**

** Actual Projected at Period 9* *** excludes projected slippage from 2021/22*

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

The projected slippage into 2022/23 of £26.865m relates mainly to Future High Street Funds (FHSF) schemes, Solway LATC, and Regeneration & Affordable Housing schemes.

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.

Capital Financing (GF/HRA)	2020/21 Actual	2021/22 Predicted Outturn*	2021/22 Budget	2021/22 Re-profiling	2022/23 Estimate**	2023/24 Estimate	2024/25 Estimate
Capital Receipts	1.130	7.065	19.365	8.133	0.663	2.733	1.580
Capital Grants	1.917	4.884	12.699	7.815	11.722	0.601	0.571
Capital Reserves	2.190	4.355	13.260	8.248	5.751	3.921	5.086
Revenue Reserves	2.581	3.505	4.695	1.171	4.117	2.934	2.934
Revenue Contributions	0.151	0.066	0.066	-	-	-	-
Net financing need for the year	1.561	0.737	2.242	1.499	0.252	0.050	0.030
Total	**9.529**	**20.613**	**52.327**	**26.865**	**22.505**	**10.238**	**10.200**

** Actual Projected at Period 9* *** excludes projected slippage from 2021/22*

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

Commercial Activities/Non-Financial Investments	2020/21 Actual	2021/22 Predicted Outturn*	2021/22 Budget	2021/22 Re-profiling	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Expenditure	-	4.083	12.849	4.718	-	-	-
Financing Costs	-	(4.083)	(12.849)	(4.718)	-	-	-
Net financing need for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	2020/21 Actual	2021/22 Revised Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
CFR – non housing	3.612	4.096	5.029	4.800	4.584
CFR – housing	69.893	69.990	70.590	70.590	70.590
CFR - commercial activities/non-financial investments	-	-	-	-	-
Total CFR	**73.506**	**74.085**	**75.619**	**75.389**	**75.174**
Movement in CFR	**1.450**	**0.580**	**1.534**	**(0.230)**	**(0.215)**

Movement in CFR represented by					
Net financing need for the year (above)	1.561	0.737	1.751	0.050	0.030
Less MRP/VRP and other financing movements	**(0.110)**	**(0.158)**	**(0.217)**	**(0.280)**	**(0.245)**
Movement in CFR	**1.450**	**0.580**	**1.534**	**(0.230)**	**(0.215)**

* CFR 2019/20 £72.055m

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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Fund Balances/Reserves	42.972	43.250	22.039	20.017	16.748
Capital Receipts	20.282	14.528	6.943	7.269	6.899
Provisions*	2.637	2.637	2.637	2.637	2.637
Other	-	-	-	-	-
Total Core Funds	**65.891**	**60.415**	**31.618**	**29.923**	**26.284**
Working Capital**	6.171	9.350	(3.23)	(7.88)	(5.31)
(Under)/Over Borrowing	(10.445)	(11.025)	(12.559)	(12.329)	(12.114)
Expected Investments	**61.617**	**58.740**	**15.829**	**9.712**	**8.860**

* 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).

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

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 DLUHC 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 DLUHC 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 approporiate 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 31st March 2021 and for the position as at 31st December 2021 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	ACTUAL AT 31/3/21		CURRENT AT 31/12/21	
	£m	%	£m	%
Treasury Investments				
Banks	23.268	35.30	38.004	42.16
Building Societies	-	-	-	-
Local Authorities	24.000	36.41	15.000	16.64
DMADF (H M Treasury)	-	-	-	-
Money Market Funds	10.000	15.17	25.183	27.93
Certificates of Deposit	-	-	-	-
Total Managed in-House	**57.268**	**86.89**	**78.187**	**86.73**
Bond Funds	-	-	-	-
Property Funds	8.643	13.11	11.962	13.27
Total Managed Externally	**8.643**	**13.11**	**11.962**	**13.27**
Total Treasury Investments	**65.911**	**100**	**90.149**	**100**
Treasury External Borrowing				
Local Authorities	-	-	-	-
PWLB	63.060	100	63.060	100
Total External Borrowing	**63.060**	100	**63.060**	100
Net Treasury Investments/(Borrowing)	**2.851**		**27.089**	

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.

Treasury Portfolio	2020/21 Actual £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's
External Debt					
Debt at 1st April	63.060	63.060	63.060	63.060	63.060
Expected change in Debt	-	-	-	-	-
Actual gross debt at 31st March	**63.060**	**63.060**	**63.060**	**63.060**	**63.060**
The Capital Financing Requirement	**73.506**	**74.085**	**75.619**	**75.389**	**75.174**
Under / (over) borrowing	**10.445**	**11.025**	**12.559**	**12.329**	**12.114**

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

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.

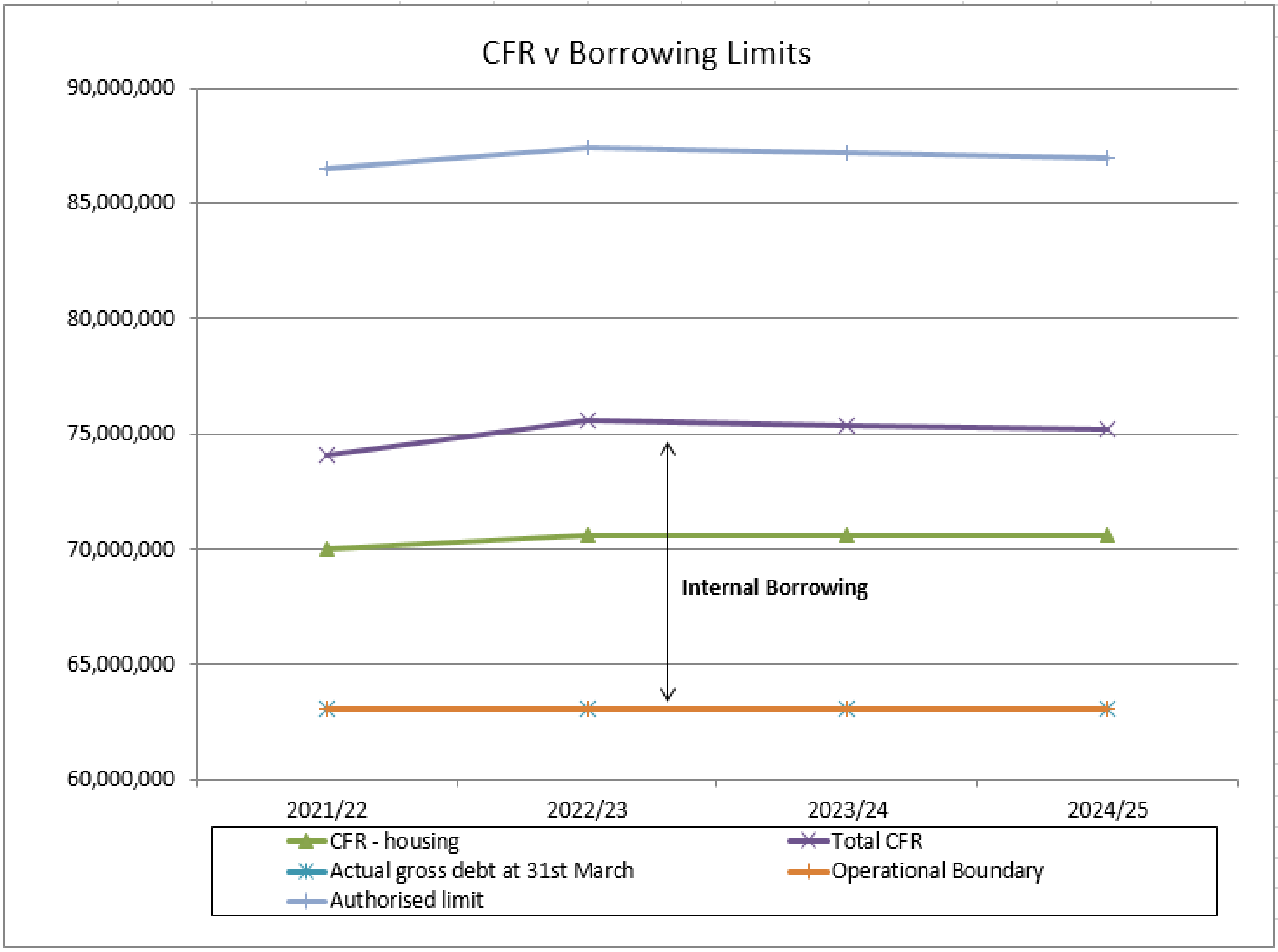
Operational Boundary	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-	-	-
Commercial Activities/non-financial Investments				
Total	**63.060**	**63.060**	**63.060**	**63.060**

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	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Borrowing	86.503	87.436	87.207	86.991
Total	**86.503**	**87.436**	**87.207**	**86.991**



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 Group as its Treasury Advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20te December 2021. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

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

Forecasts for Bank Rate

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

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron

to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant <u>UPWARD RISK</u> exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in

December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

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

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

- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

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

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

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

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

A new era for local authority investing

– a fundamental shift in central bank monetary policy

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

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***<u>For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades</u>***

when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

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

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

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

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

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

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

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 2022/23 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*, 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 there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020. If rescheduling was to be 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

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. Where appropriate, consideration will be given to sourcing funding at cheaper rates from the following in order to finance capital expenditure for non-HRA and infrastructure purposes:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency
- UK Infrastructure Bank

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

3.8 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
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 Department of Levelling Up, Housing and Communities (DLUHC – this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")

- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second, and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC 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 financial 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.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.

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

5) **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 35% 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 2020/21 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 ending 31st March 2023.

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 the Link Group. 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 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 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 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. 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.

Counterparty	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
Banks/Building Societies *	**Yellow**	**£10m**	**5yrs**
Banks/Building Societies	**Purple**	**£10m**	**2 yrs**

Banks/Building Societies	**Orange**	**£10m**	**1 yr**
Banks – part nationalised	**Blue**	**£10m**	**1 yr**
Banks/Building Societies	**Red**	**£10m**	**6 mths**
Banks/Building Societies	**Green**	**£10m**	**100 days**
Banks/Building Societies	**No colour**	**Not to be used**	
Council's banker (where "No Colour")	**No colour**	**£2m**	**1 day**
DMADF	**UK sovereign rating**	**£10m**	**6 months**
Local authorities	**n/a**	**£10m**	**5yrs**
	Fund Rating **	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	**AAA**	**£10m**	**Liquid**
Money Market Funds LVNAV	**AAA**	**£10m**	**Liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**Liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£10m**	**Liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**£10m**	**Liquid**

** 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.*

Creditworthiness

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

CDS prices

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

4.3 Other 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 treasury management investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 35% 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 is 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

The current forecast shown in paragraph 3.3 includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows:

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

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

Investment 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: -

Upper limit for principal sums invested for longer than 365 days			
	2022/23 £m	**2023/24 £m**	**2024/25 £m**
Principal sums invested > 365 days	5.540	3.399	3.101
Current investments as at 31.12.21 in excess of 1 year maturing in each year	5.000	-	-

4.5 Investment Risk Benchmarking

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

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
11. Revised Treasury Management and Prudential Codes

ANNEX 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

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.	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
Non-HRA	(7.31)%	(3.60)%	(0.17)%	0.27%	0.56%
HRA	28.38%	28.93%	28.09%	27.33%	26.78%
Commercial Activities/non-Financial Investments	(3.60)%	(3.50)%	(5.69)%	(7.98)%	(5.53)%

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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA Debt £m	69.893	69.990	70.590	70.590	70.590
HRA Revenues £m	18.636	19.303	20.071	20.563	21.066
Ratio of Debt to Revenues %	375	363	352	343	335

HRA Debt per Dwelling	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA Debt £m	69.893	69.990	70.590	70.590	70.590
Number of HRA Dwellings	4,140	4,122	4,092	4,062	4,032
Debt per Dwelling £'000	16.882	16.980	17.251	17.378	17.507

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:

Maturity structure of Fixed Interest Rate borrowing 2022/23		
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%

Maturity structure of Variable Interest Rate borrowing 2022/23		
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 2021 – 2025

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

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

ANNEX 3 ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.

- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region).

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

US.
Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

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

EU.
The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

November’s inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.

ECB tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in

December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

CHINA.
After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

JAPAN.
2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

WORLD GROWTH.

World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

SUPPLY SHORTAGES.

The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

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 which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 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:

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
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
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£10m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£10m	Liquid

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£10m	
Non-Specified Investments			
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 credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- UK *

(Per Link 22/12/21)

* At its meeting of the 15th 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 2022/23.

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.

ANNEX 8

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

	European financial companies. 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.
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

	European Investment Bank and the World Bank. Similar to government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.
Treasury Management	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.
Working Capital	Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases.
Yield	The annual rate of return on an investment, expressed as a percentage.

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 2021-22 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.

ANNEX 11 REVISED TREASURY MANAGEMENT AND PRUDENTIAL CODES

CIPFA released the new editions of the Treasury Management Code and Prudential Code on 20th December 2021. CIPFA have set out the legal status of both Codes with clarification on the areas that have to be complied with in Bold and reminder that the rest is guidance to support authorities manage risks associated with their own Treasury and Capital Financing strategies.

Prudential Code

- CIPFA make it clear that 2021 Code applies with immediate effect, except that authorities may defer introducing revised reporting requirements until 2023/24 financial year (these include changes in capital strategy, prudential indicators and investment reporting). The ongoing principles including paragraph 51 that an **authority must not borrow to invest primarily for financial return, apply with immediate effect.**
- Objectives - capital plans and investment plans are affordable and proportionate; all borrowing/other long-term liabilities are within prudent and sustainable levels; risks associated with investment are proportionate to financial capacity and treasury management decisions are in accordance with good professional practice.
- Further strengthening on matters to be taken into account when setting and revising prudential indicators particularly decision making on capital investment, determining a capital strategy, prudence and affordability.
- ESG in Capital Strategy - broadened to make clear the strategy should be address environmental sustainability in a manner which is consistent with their own corporate policies on the issue.
- Commercial Property - makes clear historical asset base not impacted and that plans to divest should be part of an annual review with views on immediate disposal being removed.
- Investment Practices - will remain a requirement but some amendments will be made to wording in documents circulated in consultation with clarity around Commercial and Service Investment risk management framework.
- Definition of Investment - separate categories for Treasury Investment, Service Investment and Commercial Investment.
- CIPFA leaves any decision to maintain long term Treasury Investment to each Authority/S151 to justify (assumption being that these are not borrowed for) and any longer term Treasury Investment to be linked to Business Model (e.g. a link to cash flow management or treasury risk management).
- CIPFA key concern continues to be regarding leverage and borrowing to invest particularly for Commercial and Service Investment -with a clear statement regarding not being prudent to make any investment or spending decision that will increase capital financing requirement, and so lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- Capital Financing Requirement - Gross Debt and the capital financing requirement still a key indicator, small changes to calculation of CFR to include Heritage Assets etc agreed and noted the CFR can be a negative figure.

Treasury Management Code

- Unlike the Prudential Code, there is no reference to effective date within the new edition of the Treasury Management Code. CIPFA do state The TM Code, which is market guidance, has no statutory underpinning, and there are no arrangements for supervision or enforcement and also add that authorities do have to have regard to guidance under provisions of Local Government Act 2003 and in Scotland this is tightened further by finance circular 5/2010 which requires local authorities to have regard to the TM Code.

- Investment Management Practices (IMPs) implemented in TM Code for Non-Treasury Investment and expected to follow same format used for Treasury Management Practices.
- TMP1 Credit and Counterparty Risk Management - some further clarification on ESG requirements
- Knowledge and Skills - TMP10 strengthened and a requirement to retain an aims and objectives schedule added - may need some further clarification provided on proportionate process for the smaller entities that have to comply.
- TM Reporting and TM Code makes clear that reporting should set out Service and Commercial investment risks especially where this is supported by borrowing/leverage (this seems to be the key concern for CIPFA) with proportionate level of any borrowing a decision for Authority/S151. Also emphasis placed that Local authorities must not borrow to invest for the primary purpose of financial return. Other public service organisations may decide that the same principle concerning the prudent use of public funds also applies to them.
- TM Code reporting frequency - a minimum annual reports before, mid-year and after the year-end.
- Liability Benchmark - CIPFA have advised that it is a benchmark and not prescriptive and if an Authority can justify that it is prudent to maintain a position above or below benchmark that is up to them. It will clarify that where a LOBO is held, the maturity date will be used for the liability benchmark. CIPFA have said that if a local authority wants to maintain longer term treasury investments in the portfolio and that is in conflict with the Liability Benchmark they will have to justify that is a prudent approach.

CIPFA has achieved the timeline they set themselves and issued the **revised Treasury Management and Prudential Codes and cross-sectoral guidance notes** on **20th Dec 2021** with a clear statement to say there is a soft launch with formal adoption for 2023/24 financial year but note that the Prudential Code does state that it **applies with immediate effect**, except that authorities may defer introducing revised reporting requirements until 2023/24 financial year. This does mean each authority will have to determine if any of the changes implemented today will impact on the ability to deliver any capital schemes that they have in the current programme for 2021/22 and future years.

It is suggested that the TMSS for 2022/23 is based on the existing templates as issued by Link Asset Services and that the Council look to approve new versions that adopt the requirements on the revised TM Code and Prudential Code as soon as is practicable in the new financial year. The deadline for adopting revised reporting requirements is 31st March 2023 and we will continue to work to ensure that the Council is fully compliant by that date.

This page is intentionally left blank

APPENDIX O

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	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
General Fund	**11,790**	**3,313**	**1,201**	**1,352**	**1,181**	**18,837**
HRA	**10,714**	**6,925**	**9,000**	**9,946**	**9,869**	**46,454**

The General Fund capital programme will require unsupported borrowing of £0.5m over the next 5 years subject to the exploration and availability of alternative funding.
Key Schemes include:

- Future High Street Fund, £11.8m;
- Disabled Facilities Grants, £650k p.a. (including £547k p.a. BCF grant);
- Balancing Ponds, £850k;
- Recovery & Reset ICT costs, £523k in 2022/23 plus programme costs £150k p.a.;
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
- Street lighting, £405k;
- Technology upgrades, £340k;
- ICT Audio/Video Technology for Town Hall, £87k;
- Play area refurbishment, £55k;
- CCTV, £229k.

Key HRA Schemes:

- HRA Business plan works to dwellings, £21.75m;
- Neighbourhoods £2.5m;
- Disabled Facilities Adaptations £1.25m;
- Energy Efficiency works £0.35m;
- Street lighting £0.6m;
- High Rise works £0.56m;
- Retained Garage Sites, £0.75m;
- Regeneration & Affordable Housing, £4.25m;
- Sheltered schemes, including lifts & Telecare, £1.29m
- Fire Risk mitigation works, £0.9m;
- Damp & Mould works, £0.5m;
- Decarbonisation works to achieve Zero Carbon, £10.7m.

Impact on Medium Term Financial Plan

The General Fund capital programme will require unsupported borrowing of £0.5m 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.
Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

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 c.£65m 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 £52m for 2021/22 and an asset base valued at £252m (as at 31st March 2021).

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.

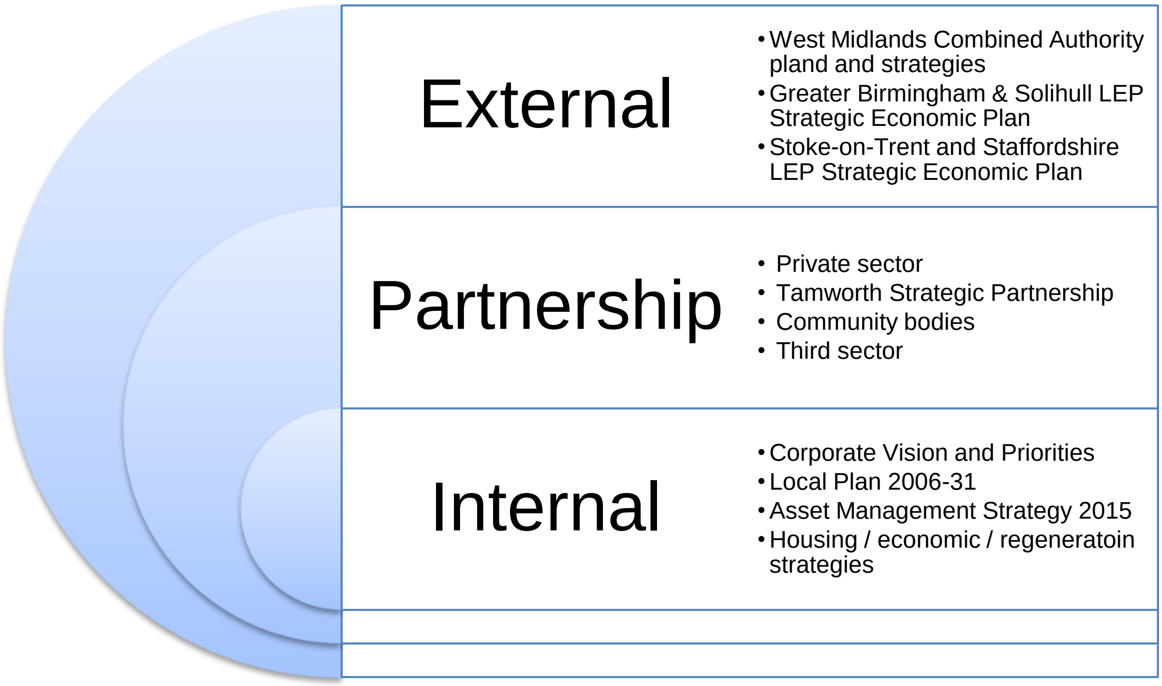
As a result, the following 2019/20 action plan item was implemented through the development of a 30 year whole life costing model:-

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.
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 2022/23 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 is planned for 2022/23.

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:

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

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

Asset Type	Estimated Backlog Costs (10 years)
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
Total	**£8.427m**

An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

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 was 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 finalised by March 2022:-

> **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 2021/22.

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:

Group /Individual	Role
Corporate Management Team	• Provide leadership for the process to manage risks effectively. • Review and revise the Risk Management Policy and Strategy in accordance with the review period. • Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.
Audit & Governance Committee	• 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. • To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	• To provide strategic direction with regard to risk management.
Directors / Assistant Directors	• To provide leadership for the process of managing risks.

Group /Individual	Role
	• To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals. • To identify and manage business /operational risks. • To ensure that the management of risk is monitored as part of the performance management process.
Directors / Assistant Directors	• To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. • To review and update their risk register on at least an annual basis but appropriate to the risk. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk. • To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.
All staff	• To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks.
Assistant Director – Finance	• To ensure that the risk management strategy is regularly reviewed and updated. • Promote and support the risk management process throughout the Authority. • Advise and assist managers in the identification of risks.

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 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 21st 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 27th February 2018.

As at 30th September 2021, the Council had invested £1.85m with Schroders UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m. Although the capital values of the funds did initially fall, mainly since 31st March 2020, they have since recovered and as at 30th September 2021 there is an overall gain of £39k. It should be noted that investments in property are subject to fluctuations in value over the economic cycle and should yield capital growth in the longer term as the economy grows.

Fund Valuations	Investment	Valuation 31/03/2021	Valuation 30/09/2021
Schroders UK Real Estate Fund	1,848,933	1,848,933	1,970,287
Valuation Increase / (reduction)		0	121,354
Threadneedle Property Unit Trust	2,000,249	1,794,439	1,917,790
Valuation Increase / (reduction)		(205,810)	(82,459)
Total	3,849,182	3,643,372	3,888,077
Gain / (loss)		(205,810)	38,895

The following table details the dividend returns achieved from the property fund investments, which support the revenue budget. The Council received £128k in dividends from its property fund investments in 2020/21 (£147k in 2019/20), and has received £67k for the current financial year as at 30th September 2021.

Investment Returns	Dividend Returns 31/03/2021	Dividend Returns 30/09/2021	Estimated Return p.a. %	
Schroders UK Real Estate Fund	52,898	28,483	3.1%	Half year only to 30/9/21 for 2021/22
Cumulative Return	157,654	186,137		
Threadneedle Property Unit Trust	75,452	38,292	3.8%	
Cumulative Return	225,781	264,073		
Total	128,350	66,775		
Cumulative Return	383,435	450,210		
Annual % Return	3.3%	3.5%	3.5%	

The funds achieved an estimated return of 3.3% in 2020/21 and 3.8% during 2019/20 compared to internal investments with banks and other Councils of less than 1%.

The MTFS includes budgeted income of £300k for 2021/22 (£420k pa from 2022/23) arising from investment of the full £12m budgeted. Following a review of the further investment in property funds (due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then further uncertainty over the impact of the coronavirus on future property fund returns), Council approved the investment of the remaining £8.131m on 21st September 2021.

Further property fund investments totalling £8.113m were therefore made at the end October 2021 – an additional £4.057m with Threadneedle Property Unit Trust and £4.056m with Hermes Federated Property Unit. Both property funds are diverse across the industrial/office/warehouse/other sectors, with relatively low exposure to retail. Threadneedle's forecast revenue return is 4.2% and Hermes is 3.98%

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.

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.

Regeneration of Town Centre and Purchase of Gungate site

Council on 11th 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 £4milion 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.

A red book valuation process is jointly underway between TBC and SCC which seeks to evaluate TBC and SCC landholdings on Spinning School Lane North. The outputs of this should be available in October. The Police Station owners have meet with TBC planning to outline at a high level, their plans for the site.

Discussions held with Homes England to assist the Borough Council in unlocking the potential of regeneration sites across the town has resulted in a Heads of Terms signed off by Cabinet on the 30th September. The next step is to prepare and agree to a Memorandum of Understanding. Work on a car park demand study is underway, financed by HE, the outputs of which will be available in inform the project.

Solway (Tamworth) Ltd

In line with plans set out in the Commercial Investment Strategy, Council on 17th 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%).

Progress on this project has been restricted due to a number of other priorities and issues taking precedence including; purchase and master planning of the Gungate site, uncertain financial markets, the Future High Streets Fund process, Internal Corporate restructure and the ongoing COVID-19 pandemic.

Following a previous Report to Corporate Scrutiny Committee on 25th August 2020, and as recommended by the Committee, Jones Lang Lasalle were appointed during 2020 to review and update the assumptions taking into account local and regional market trends to assess continued viability and the impact of the COVID-19 pandemic as far as that could be judged at the time of writing – which it confirmed.

Corporate Scrutiny Committee on 11th March 2021 considered this report and approved exploring in more detail the viability and financial implications of a private rental scheme will allow the Council to make a fully informed decision on how to develop the site.

An update on the progress made on this work is planned for the Corporate Scrutiny Committee in March 2022. This will include updated options for the site based on latest market demand, costing information, projected returns and assessment of the risks involved.

It should be noted that the successful Future High Streets Fund bid (as well as the consultation and continuing work on the options for the Gungate site) will mean officer time will be restricted further. However, officers will benefit from the experience of procuring and managing a significant regeneration project in the coming months and years – which could benefit the future plans for the Solway site depending on the review findings.

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 22nd 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.

During December 2020, the Government confirmed that the Council has been awarded £21.65m, from the Government's £1bn Future High Streets Fund to renew and reshape town centres, to deliver a number of projects designed to create a town centre that meets the needs of 21st century residents, shoppers and visitors.

It will bring town centre landowners, businesses, councils and other partners together, working on the common goal of reshaping the town centre into a place that Tamworth residents are proud of, that is economically successful and that draws visitors from around the country.

Throughout August 2021 the tender for the appointment of a multi-disciplinary team to move the project forwards in the enabling phase was `live' on the CCS procurement framework. The tender deadline was 20 August. Given the size and importance of the tender, interviews were held on the 7th September and appointment was immediately made. McBains are the successful construction and consultancy team, supplemented by the College and TBC incumbent architect firms ACG and Purcell.

Various surveys have been undertaken to better understand constraints including utilities, measured building surveys and topographical surveys. Work continues on heads of Terms for the various partnerships and acquisitions that are necessary for the project to progress. Discussions are ongoing to achieve vacant possession of Middle Entry and the relocation of Julie Anne Florists.

A communications and engagement strategy has been developed including the new Transforming Tamworth webpages – to show case regeneration across Tamworth town centre and specifically the FHSF programme. This website was available ahead of a 13th October evening meeting with local businesses.

Commercial and Industrial Property

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

Non-Housing Asset Survey

Element	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yrs 6 to 10	Yrs 11 to 15	Yrs 16 to 20	Yrs 21 to 25	Yrs 26 to 30	Total
Roof Cover	£0	£98,424	£29,600	£21,500	£254,993	£289,032	£429,453	£74,963	£51,964	£49,140	**£1,299,069**
Wall finish	£1,244	£19,418	£6,886	£0	£15,430	£46,099	£291,382	£331,075	£390,430	£190,765	**£1,292,730**
Doors	£16,000	£10,900	£28,200	£900	£67,400	£528,000	£124,350	£34,350	£900	£750	**£811,750**
Windows	£20,430	£15,120	£11,760	£2,100	£82,650	£299,110	£121,140	£80,250	£3,780	£0	**£636,340**
Flooring	£653	£7,322	£2,650	£0	£41,197	£67,445	£135,606	£44,142	£28,940	£11,700	**£339,656**
Kitchen	£18,000	£7,500	£2,500	£0	£75,000	£53,500	£56,000	£6,000	£0	£0	**£218,500**
Ceiling	£54	£18,600	£2,268	£0	£1,716	£55,823	£66,223	£33,265	£384	£0	**£178,333**
Hardstanding	£0	£17,640	£0	£0	£0	£0	£2,592	£83,050	£44,165	£0	**£147,447**
Lighting	£1,260	£120	£480	£240	£67,644	£38,290	£16,380	£5,250	£480	£0	**£130,144**
Shutters	£0	£0	£0	£0	£1,500	£91,500	£1,500	£3,000	£0	£0	**£97,500**
Gutters	£900	£588	£2,472	£605	£9,386	£42,417	£10,306	£302	£0	£8,928	**£75,905**
Downpipes	£2,658	£0	£432	£0	£14,795	£39,358	£13,668	£108	£0	£3,528	**£74,546**
Roller Shutter Doors	£1,500	£0	£0	£0	£0	£25,500	£30,000	£6,000	£0	£0	**£63,000**
Paving	£0	£2,336	£4,944	£0	£5,690	£21,152	£24,480	£1,916	£0	£480	**£60,998**
Bathroom	£0	£0	£0	£0	£0	£18,000	£9,500	£0	£0	£0	**£27,500**
Toilets	£4,950	£4,400	£1,100	£0	£5,500	£7,200	£3,450	£900	£0	£0	**£27,500**
Fascia Board	£4,254	£8,910	£3,264	£0	£3,132	£6,246	£540	£0	£0	£0	**£26,346**
Boiler	£0	£0	£0	£0	£0	£5,400	£12,600	£1,800	£0	£0	**£19,800**
Air Conditioning Unit	£0	£0	£0	£0	£0	£10,800	£3,600	£1,800	£0	£0	**£16,200**
Heating	£500	£300	£0	£0	£300	£0	£10,620	£0	£600	£0	**£12,320**
Chimney	£0	£0	£0	£0	£0	£0	£1,800	£9,000	£1,200	£0	**£12,000**
Items <£10k	£3,500	£0	£350	£0	£8,022	£12,520	£4,600	£13,290	£1,710	£0	**£43,992**
Grand Total	**£75,903**	**£211,578**	**£96,906**	**£25,345**	**£654,355**	**£1,657,392**	**£1,369,790**	**£730,463**	**£524,553**	**£265,291**	**£5,611,576**

INVESTMENT	VALUATION @ 31/03/20 £	ESTIMATED INCOME 2020/21 £	RETURN %	VALUATION @ 31/03/21 £	ESTIMATED INCOME 2021/22 £	RETURN %
Amington Industrial Estate (ground rents)	6,551,000	305,720	4.67	6,592,000	302,720	4.59
Lichfield Industrial Estate (ground rents plus 1 leased plot)	2,947,000	144,830	4.91	2,947,000	117,950	4.00
Local Centre Shops	2,355,800	226,292	9.61	2,421,250	222,660	9.20
Misc Corporate Property	18,752,529	1,187,905	6.33	18,641,896	1,183,425	6.35
Sandy Way Industrial Units	2,642,900	295,871	11.19	2,642,900	293,767	11.12
Tamworth Business Centre	1,130,800	120,073	10.62	1,132,900	125,848	11.11
Town Centre Shops	1,757,752	140,282	7.98	1,794,452	140,677	7.84
Total	**36,137,781**	**2,420,972**	**6.70**	**36,172,398**	**2,387,047**	**6.60**

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. An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

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 actions need to be finalised in 2022/23, 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.

Annex A

CAPITAL PROGRAMME 2021/22 – 2025/26

Following a review of the Capital Programme approved by Council on 25th February 2020, 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, **£135k** 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 below.

	General Fund
	The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.2m over the next 5 years (£60k over 3 years). There has been an increase of £3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

1)	**Balancing ponds and sustainable drainage systems**
	Project Score: 63
	A new appraisal form has been prepared – together with a 30 year rolling programme of works identified for inclusion in the capital programme, with an annual spend required from 2023/24, for the 8 ponds at Stonydelph, Belgrave, Lakeside, Peelers Way.

When the A5 bypass was constructed, a network of balancing ponds and reedbeds were also constructed alongside it to take excess water from the surface of the road and prevent this water being discharged as either groundwater or surface water, hence creating a risk of flooding and also to reduce the effects of certain pollutants on the environment from the carriageway. Over time these balancing ponds which flow from Kettlebrook through to Tamworth centre become 'silted' up and have to be cleansed. A survey of the ponds has highlighted the fact that the original commuted sum set aside to maintain these ponds was insufficient and further funding is required in order to support the proposed ongoing year maintenance plan. In addition the Council is required to maintain both Stonydelph dam that connect to this watercourse and the new sustainable drainage system to support the golf course development, currently under construction in Amington. At handover the management plan will indicate the maintenance regime and indicative costs which will be added at a later date - it is not envisaged that this will be in the short term but will need to be accommodated within the 30 year life proposal].

The total cost of the programme over 30 years is £4.68m partially financed by existing reserves of £604k.

The capital appraisal details the proposed part financing from existing reserves/retained fund (£200k) and Section 106 commuted sums (£404k).

2) With regard to the provisional programme:

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

Project Score: 72

An updated capital submission **has now** been prepared for £60k for 3 years followed by £40k for 2 years (previously £60k in 2022/23 followed by £30k p.a.)

Significantly increased reliance on ICT has resulted in a commitment to *ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with technology lifecycles. The Council is also on a journey towards digital transformation and self service for customers, demand for flexible resilient and available ICT services to support this requires continued investment into the authorities hardware and associated software.* The organisation is also establishing new, more flexible and agile ways of working which requires investment into technology to support ongoing effectiveness. *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.*

A £60k budget was approved for 2021/22 with an expectation that budgets from 2022/23 onwards would be informed by the conclusions of the priority review and ICT Strategy (including a detailed breakdown of the proposed spend). No savings / payback from the investment have been identified.

b) Endpoint Protection and Web-Email Filter

Project Score: 60

An updated appraisal has now been prepared for spend of £40k in 2022/23 (previously 2023/24) & every 3 years thereafter, following the 3 year contracts for Endpoint Protection (covering Anti Virus,Anti Malware and Encryption and the contract for Web and Email filtering).

c) Street Lighting

An updated appraisal has 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 include the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programmed based on providing more efficient low energy lighting heads. This appraisal is based on years 5-10 years of the replacement programme. The 40 year programme costed programme has been submitted as a whole life cost document.

The profile has been adjusted to reflect the HRA related element of the costs.

d) 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 is be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.

e) 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.

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.

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).

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.

	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.

f)	**CCTV Upgrades**
	Following approval of the Shared Service, Capital budgets of £45,714 p.a. have been included – part funded by OPCC grant of £24k p.a.

3)	**General Fund Capital Contingency Budget**
	A new budget of £100k has been included for 2022/23.

4)	**Recovery and Reset**
	As approved by Council in August 2021, budgets totaling £1.273m have been included – for ICT and office related costs.

Housing

There has been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

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 £69.893m with planned borrowing in 2021/22 of £703k.

	Housing Revenue Account
The provisional capital programme has been reviewed and updated:	
a)	**Structural Works, Bathroom Renewals, Major Roofing Renewals and Disabled Facilities Adaptations**
	Structural works budgets have been increases by £75k p.a. to £275k p.a.
	Bathroom renewals budgets have been increased by £7k p.a. to £575k p.a.
	Major Roofing Renewals budgets have been increased by £589k p.a. to £1.5m p.a.
	Disabled Facilities Adaptations budgets have been increased by £37.5k p.a. to £250k p.a.
b)	**Kitchen Renewals**
	The budget has been reduced by £337.5k p.a. to £700k p.a.

Detailed Programme Changes:

Housing Revenue Account Capital Programme	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**
Structural Works	75,000	75,000	75,000	75,000	275,000
Bathroom Renewals	7,200	7,200	7,200	7,200	575,000
Gas Central Heating Upgrades and Renewals	-	-	-	-	685,500
Kitchen Renewals	(337,500)	(337,500)	(337,500)	(337,500)	700,000
Major Roofing Overhaul and Renewals	588,600	588,600	588,600	588,600	1,500,000
Window and Door Renewals	-	-	-	-	400,000
Neighbourhood Regeneration	-	-	-	-	500,000
Disabled Facilities Adaptations	37,500	37,500	37,500	37,500	250,000
Rewire	-	-	-	-	150,000
CO_2 / Smoke Detectors	-	-	-	-	64,000
Sheltered Schemes	-	-	-	-	100,000
Energy Efficiency Improvements	-	-	-	-	70,000
Fire Risk Mitigation Works	300,000	300,000	300,000	-	-
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000
Decarbonisation	3,200,000	-	-	-	-
High Rise Refuse Chute Renewals	150,000	150,000	150,000	-	-
Works to Achieve Zero Carbon	-	-	2,500,000	2,500,000	2,500,000
Sheltered Lifts and Stairlift Renewals	360,000	250,000	50,000	50,000	50,000
Fire Alarm Panel Renewals	50,000	-	-	-	-
Scooter Storage at High Rise	30,000	30,000	-	-	-
Upgrade Pump Rooms at High Rise	25,000	25,000	-	-	-
Retention of Garage Sites	-	-	-	-	-
Capital Salaries	-	-	-	-	200,000
Street Lighting	-	70	90	20	-
Telecare System Upgrades	-	-	-	-	-
Regeneration & Affordable Housing	-	-	-	-	1,750,000
Total HRA Capital	4,585,800	1,225,870	3,470,890	3,020,820	9,869,500

(green)	New Scheme Bids
(cream)	Existing Schemes

Housing Revenue Account Capital Programme	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Proposed Financing:					
Major Repairs Reserve	1,311,830	128,700	129,200	127,700	2,933,500
HRA Capital Receipts	(180,000)	(174,930)	1,075,000	-	-
Regeneration Revenue Reserves	461,070	1,481,100	841,600	215,680	3,886,000
Capital Receipts from Additional Council House Sales (1-4-1)	25,000	25,000	25,000	101,000	550,000
Regeneration Reserve	1,967,900	(234,000)	90	76,440	-
Affordable Housing Reserve	-	-	1,400,000	-	-
Other	1,000,000	-	-	-	-
Unsupported Borrowing	-	-	-	2,500,000	2,500,000
	-	-	-	-	-
Total	**4,585,800**	**1,225,870**	**3,470,890**	**3,020,820**	**9,869,500**

Existing Capital schemes have continued in line with the provisional programme (including capital salaries recharge of £200k p.a. for management of the programme):

1) Improvements to Retained Garage Sites

A new capital submission had been prepared in 2020 for spend of £750k in 2021/22 and 2022/23 for Improvements to garage sites identified for retention following completion of survey work during 2020.

2) Street Lighting

HRA share has been included in line with the approved 30 year programme.

3) Telecare system upgrades

A new capital submission had been prepared for potential spend of £65.5k over 2 years for the upgrade of telecare systems to sheltered schemes and high-rise to make them digitally compatible in time for the BT digital switchover in 2025.

3) Regeneration & Affordable Housing

Funding of £1.75m p.a. from 2021/22 had been provisionally approved.

This was reduced to £250k for 2021/22 to 2024/25 (due to the re-profiling of £6,000,000 from years 2,3,4 & 5 into 2020/21 to allow for the acquisition of housing property [£1,500,000 from each year] with £1.75m added for 2025/26.

CAPITAL STRATEGY ACTION PLAN **ANNEX B**

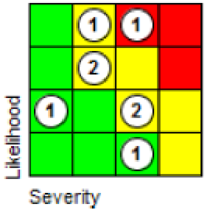
REF	ACTION	RESPONSIBILITY	TIMESCALE
1	The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration is given to whole life costs of schemes; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.	L Pugh	Summer 2022
2	Following receipt of the updated Asset Management Strategy development of an Asset Management Plan for each property. 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	Autumn 2022
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	Commenced October 2019 – ongoing Autumn 2022
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 Autumn 2022
5	Risk register around corporate asset management to be developed	P Weston	Spring 2022
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 Summer 2022
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 Summer 2022

CAPITAL STRATEGY RISK REGISTER **ANNEX C**

Corporate Capital Strategy Risk Register

Generated on: 06 December 2021

Current Risk Matrix



Code	Title	Assessment Code and Title	Trend	Status	Date Reviewed
CSRR1920_001	Risk of not identifying capital requirements	6 serious-unlikely			06-Dec-2021
CSRR1920_002	Risk of insufficient funds to meet capital needs	12 serious - very likely			06-Dec-2021
CSRR1920_003	Risk of inadequate resources to deliver capital programme	6 serious-unlikely			06-Dec-2021
CSRR1920_004	Risk of significant budget re-profiling/timescales slipping	6 significant-likely			06-Dec-2021
CSRR1920_005	Risk of significant overspends	3 serious-very unlikely			06-Dec-2021
CSRR1920_006	Risk of investment under-performing and income falling	8 significant - very likely			06-Dec-2021
CSRR1920_007	Risk of inadequate PIR/required outcomes of a capital scheme not achieved	2 minor-unlikely			06-Dec-2021
CSRR1920_008	Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatement	6 significant-likely			06-Dec-2021

Tamworth Borough Council

Community Impact Assessment

Part 1 – Details	
What Policy/ Procedure/ Strategy/Project/Service is being assessed?	Statutory requirement to prepare a budget, set the Council tax and rent for the following financial year. The report incorporates the Corporate Vision & Corporate Priorities of the Authority which are reflected within the Budget 2022/23 & Medium Term Financial Strategy (Revenue & Capital). The Corporate Vision & 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. 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 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. The budget and associated forecast will ensure that appropriate resources are focussed on areas we have identified as priorities.
Date Conducted	February 2022
Name of Lead Officer and Service Area	Stefan Garner, Executive Director Finance
Commissioning Team (if applicable)	N/A

<table>
<tr><td>Director Responsible for project/service area</td><td colspan="2">Stefan Garner, Executive Director Finance</td></tr>
<tr><td>Who are the main stakeholders</td><td colspan="2">Local residents / customers
Members
Partners (Local Businesses, Voluntary Organisations, other public sector bodies, other stakeholders)
Tamworth Strategic Partnership</td></tr>
<tr><td>Describe what consultation has been undertaken. Who was involved and what was the outcome</td><td colspan="2">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 & customer feedback.

Budget Consultation feedback reported to Cabinet 2nd December 2021.

Tenants Consultative Group – informed HRA business plan & associated budgetary implications.

Members – prior to approval by Cabinet/Council (Budget Workshop 1st December 2021, Joint Scrutiny Committee (Budget) 26th January 2022);</td></tr>
<tr><td>Outline the wider research that has taken place (E.G. commissioners, partners, other providers etc)</td><td colspan="2">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.

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.</td></tr>
<tr><td rowspan="3">What are you assessing? Indicate with an ‘x’ which applies</td><td>A decision to review or change a service</td><td>☐</td></tr>
<tr><td>A Strategy/Policy/Procedure</td><td>☒</td></tr>
<tr><td>A function, service or project</td><td>☐</td></tr>
<tr><td rowspan="3">What kind of assessment is it? Indicate with an ‘x’ which applies</td><td>New</td><td>☐</td></tr>
<tr><td>Existing</td><td>☐</td></tr>
<tr><td>Being reviewed</td><td>☒</td></tr>
</table>

	Being reviewed as a result of budget constraints / End of Contract	☐

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 <u>direct</u> impact on them?

Impact Area	Yes	No	Reason (provide brief explanation)
Age	☒	☐	**None directly arising from the MTFS but through associated actions, strategies and plans (separate EIAs completed) – informed by budget consultation process**
Disability	☒	☐	
Gender Reassignment	☒	☐	
Marriage & Civil Partnership	☒	☐	
Pregnancy & Maternity	☒	☐	
Race	☒	☐	
Religion or belief	☒	☐	
Sexual orientation	☒	☐	
Sex	☒	☐	
Gypsy/Travelling Community	☒	☐	
Those with Caring/Dependent responsibilities	☒	☐	
Those having an offending past	☒	☐	
Children	☒	☐	
Vulnerable Adults	☒	☐	
Families	☒	☐	
Those who are homeless	☒	☐	
Those on low income	☒	☐	
Those with Drug or Alcohol problems	☒	☐	
Those with Mental Health issues	☒	☐	
Those with Physical Health issues	☒	☐	
Other (Please Detail)	☐	☐	

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
Eg: Families	*Families no longer supported which may lead to a reduced standard of living & subsequent health issues*	*Signposting to other services. Look to external funding opportunities.*
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
	Outcomes and Actions entered onto Pentana			

Date of Review (If applicable) ……………………………………………….

This page is intentionally left blank

REPORT OF THE CHAIR OF INFRASTRUCTURE SAFETY & GROWTH SCRUTINY COMMITTEE

RECOMMENDATIONS FROM THE INFRASTRUCTURE SAFETY & GROWTH SCRUTINY COMMITTEE - FIREWORKS

EXEMPT INFORMATION
None

PURPOSE

To update Council and to make recommendations to it following consideration of matters by the Scrutiny Committee.

EXECUTIVE SUMMARY

The Infrastructure Safety & Growth Scrutiny Committee has made recommendations to full Council following the referral by full Council for discussion by Scrutiny of recommendations 3 and 4 of the Motion to Enjoy Fireworks Safely considered at full Council on 15th December 2020.

RECOMMENDATIONS

The Infrastructure Safety & Growth Scrutiny Committee recommends to full Council that:

1. the Council look at all options with regards to visual aerial displays; and
2. the Leader of the Council write to the Minister with regard to:
    - online sales of fireworks and that this reflects the same legislation as shop sales of fireworks are guided by; and
    - the decibel level of fireworks available for the public's purchase be reviewed.

OPTIONS CONSIDERED

The Fireworks working group discussed the matters referred by full Council and set out in Minute 38 of the meeting dated 15th December 2020.

The main outcomes from the working group were:

1. That the emphasis should be on the authority to lead by example and look at what we could do with our own displays.
2. That the Leader of the Council, on behalf of the Council as a whole, should write to the Government Minister responsible for fireworks legislation.
3. To review the legislation applicable to the regulation of the sale of fireworks online, and to look at the impact on animals and how we could help.

REPORT AUTHOR

Cllr Simon Goodall
Chair of Infrastructure Safety & Growth Scrutiny Committee

APPENDICES

None