

NON-CONFIDENTIAL



Borough of Tamworth

19 February 2024

Dear Councillor

You are hereby summoned to attend a **meeting of the Council of this Borough** to be held on **TUESDAY, 27TH FEBRUARY, 2024** at 6.10 pm in the **TOWN HALL, MARKET STREET, TAMWORTH**, for the transaction of the following business:-

AGENDA

NON CONFIDENTIAL

- 1 Apologies for Absence**
- 2 To receive the Minutes of the previous meeting** (Pages 5 - 18)
- 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 2024/25 (Pages 19 - 180)

(Report of the Leader of the Council, Finance and Governance)

7 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 3 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.

8 Future High Streets Fund (To Follow)

(Report of the Portfolio Holder for Strategic Projects)

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

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MINUTES OF A MEETING OF THE COUNCIL HELD ON 30th JANUARY 2024

PRESENT: Councillor J Harper (Mayor), Councillors D Maycock, P Turner, T Jay, C Adams, C Bain, B Clarke, L Clarke, G Coates, C Dean, L Wood, D Cook, R Claymore, T Clements, A Cooper, S Daniels, S Doyle, R Kingstone, B Price, L Smith, S Smith, M Summers, P Thurgood and J Wade

The following officers were present: Andrew Barratt (Chief Executive), Nicola Hesketh (Monitoring Officer), Tracey Pointon (Legal Admin & Democratic Services Manager) and Leanne Costello (Senior Scrutiny and Democratic Services Officer)

69 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M Bailey, P Thompson, J Jones J Oates , R Pritchard and J Wadrup.

70 TO RECEIVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 12th December 2023 were approved and signed as a correct record.

(Moved by Councillor L Wood and seconded by Councillor T Jay)

71 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

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

The Mayor reminded council members of the Tony Christie Charity Concert on Saturday 10th February to raise funds for Dementia Charities in Tamworth.

Also, an invitation has been sent for the Mayors Civic Ball on Friday 8th March to raise funds for the Mayors chosen charities.

The Leader made the following announcement.

Firstly, I would like to update the council that we are moving to an exciting new phase on the future High Street fund delivery. We are due to have some new graphics put on the hoardings in the town centre so that any one passing by can see what I happening or due to happen. And form the old Christophers down to the Pound Bakery demolition is imminent so people will start to see some positive action in the Town Centre.

In the council before Christmas, I announced it was my intention to look to form a coalition with Tamworth Independent Futures Group. Cllr Cook and I have had some very good conversations with a lot of good will and a lot of common ground between us, but we have not been able to reach an agreement. There is no ill will at all, and we will both continue to deliver for Tamworth. No ill will but no agreement reached.

Councillor Tina Clements made the following announcement

I think we all agree it would be remiss if one of us didn't stand up and mention Ben Newman, Ben AKA Spudman the TikTok sensation that he is. As we all know he held an event in the town centre on Saturday and I think those of us that visited the Town centre could certainly see the appeal of Spudman and his band of spud army not just in Tamworth across the world it would seem there were visitors from Malaysia and Dubai and I think we can certainly say that he is a smash hit through all of his TikTok videos. I think we can all agree that the event was a great attraction for Tamworth it wasn't a council initiative, but it certainly bought people into the Town centre. He also set up a go fund me page for kidney research and most of us will know that Ben as had kidney surgery, so I am hoping he as raised quite a bit. The town centre was full the pubs were brimming the traders were selling out. If you walked down market street although they said there was a bit of a que at first it soon moved so that people could get through. The Castle Hotel was fully booked, Christophers fully booked so again it bought a lot of people into the town and behalf of everyone here we would like to wish him all the best in his recovery because we know he's been doing things that he shouldn't be doing, and he needs now to rest and recuperate. And who knows Mr Mayor perhaps you could be the next Tik Tok sensation.

Councillor A Cooper made the following announcement:

I would like to announce that are a few changes in Portfolio in Cabinet, the events are going to be handed over to my colleague Cllr T Clements. that then leaves me to focus on Leisure Strategy for our amazing town. Part of that will be building a strategy ready for the Tamworth of tomorrow to give a nice strategy review to look at needs and requirements for this town and its people so we can deliver a leisure strategy for the people of today and tomorrow. This as to be fit for the town it as to be fit for what is required for the town it as to be affordable, we don't want to fall into the trap of some neighbouring authorities where we overspend and we end up in a bit of sticky situation. We are going to make it affordable and the prime example of this is what already going to be kicking off with the new 3G football pitch in amington it is a fantastic addition to our town, spike in funding as been met by the FA we haven't had to dig into our own pockets. Majority of the funding is coming through the FA we should be seeing external funding coming into our town to give us some great facilities this

will allow us to expand out football reach to allow more teams the ability to come and play at some fantastic facilities in Amington.

Councillor M Summers made the following announcement:

We along with other organisations in Tamworth put in a bid to the County Council for a fund called Covid Outbreak Management Fund all bids submitted to the County Council for that fund have been approved, which is absolutely great news and the total approved is £251,342.00 and some of the projects that Tamworth Borough council will be delivering with the money are

Funding for an empty homes officer to inform the council approach around bringing empty homes back into use. Obviously, we hear rumblings that we have empty properties lying around that we should be utilizing for people who need them and that is funded up to September 2024

Cooking lessons within supported housing for vulnerable tenants

De-humidifiers for private sector housing to assist damp, mould concerns reported

Contribution to expand the current free holiday activities managed by Tamworth Borough Council

Restart of a move on support budget for rough sleepers

Top up funding for the eco flex scheme to ensure vulnerable applicants can be assisted where the grant provided does not quite meet the full cost of home energy upgrade efficiency measures.

So, all the projects listed there must be completed by 30th September 2024. There are others that partners have put in for example Belgrave allotments got a composting toilet and that's some good news as my colleague said bringing external funding into our town is important at times like this to get some good projects on the go and that's just a selection of what we are doing with the money.

73 QUESTION TIME:

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 1

Under Procedure Rule No 10, Mr Ron Brown, will ask the Portfolio Holder Entertainment and Leisure, Councillor A Cooper, the following question:-

What were the legal and organisational explanations, given at the time, for the expense of the addition of concrete bollards and a padlocked gate at the top of Moor Lane Bolehall?"

Answer:

As the legal landowner the council is within its right to protect the site from any illegal encampments. The Council has had previous experience and cost of the gates being vandalised.

The council have been keen to protect the access to the green open space and this has not been compromised.

Supplementary

Quiet simply what changed since then because despite the Council's obligations under the relevant act of parliament the gate is no longer padlocked and is now left perpetually open to vehicular traffic which wasn't allowed before and which is already been taken advantage of many times in that new open always situation.

Answer

So what has changed the council obviously had a bit of damage to the gate it is an historical issue with some of damage done to the gate and land and so they have decided to act and be proactive and put some protective measures in place to stop that damage happening again.

In terms of the gate being unpadlocked thank you for bringing to our attention and I will ensure I will take that up with street scene and make sure that gate gets secured and I will make a plea to the public that should we have any gates that are unsecure and unpadlocked and they belong or they believe they belong to the council please get in touch use the facilities on line and make the report and will ensure we get someone down to investigate.

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 2

Under Procedure Rule No 10, Mr Mark Hopkins, will ask the Portfolio Holder Housing and Planning, Councillor S Smith, the following question:-

Are Tamworth council and/or its councillors turning a blind eye to breaches of planning and/or false declarations to obtain planning permission?

Answer:

I am not aware of any instances where council or Councillors have ignored breaches of planning or false declarations.

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 3

Under Procedure Rule No 10, Mr Mark Hopkins, will ask the Portfolio Holder Housing and Planning, Councillor S Smith, the following question:

Can anyone now create a road on public land like what seems to have happened on the Warwickshire Moors?

Answer:

The Planning teams as been looking into the issue raised by residents regarding the track and vehicles used on it. Planning officers and the Planning enforcement

officer have conducted several site visits. Currently the landowner as submitted an application to regularize the situation, however, this does not guarantee approval. The Officers will not be able to proceed until they have consulted with various statutory bodies among others and complete the necessary consultations.

Supplementary

Why does it seem that the planning department apply different rules or law to different people.

Answer

I am not aware of that but what I would say just on this issue in general is if you believe there is any unfairness or deviation of the regulations let us know and be as specific as you on the situation.

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 4

Under Procedure Rule No 10, Mrs Vicky Dickenson, will ask The Leader of the Council, Councillor T Jay, the following question:

What performance measurements does the Council employ and publish, to ensure that questions asked by Residents, and commitments made by Councillors in their replies, are completed in a timely manner?

Answer:

The answer is there is no set measure for councillor performance, what I will say is that if a councillor hasn't replied to you go back to them in the first instance if they then don't get back to you there are three councillors per ward try another councillor and if you are not getting what you want in here you will see there are several group leaders you can always contact the group Leader.

QUESTIONS FROM MEMBERS OF THE PUBLIC NO. 5

Under Procedure Rule No 10, Mr Simon Thompson, will ask the Portfolio Holder for Housing and Planning, the following question:

What steps can I take to be certain that I can see, online, every single Planning Application, including those determined as "Prior Approved", so that I have as much time as every other person to review them all?

Answer:

All prior approvals can be accessed with the other planning applications via the following [weblink: https://planning.tamworth.gov.uk/northgate/planningexplorer/generalsearch.aspx](https://planning.tamworth.gov.uk/northgate/planningexplorer/generalsearch.aspx)

If you know the application number, you can insert this or go to 'prior approval notification' in the Application type dropdown.

We will forward you the link after the meeting.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 1

Under Procedure Rule No 11, Councillor R Pritchard will ask the Leader of the Council, Councillor T Jay, the following question:

When care leavers move into independent accommodation, they begin to manage their own budget fully for the first time. Research has found that care leavers can find this extremely challenging. With no family to support them and little financial education, some care leavers are falling into debt and financial difficulty. A number of local authorities have introduced a council tax exemption or discount for care leavers up to the age of 25.

Will the leader consider introducing a council tax exemption or discount for care leavers up to the age of 25.

Answer:

This has been considered in the past but has not implemented because it is a very sensitive subject for care leavers.

Some prefer to forget about their previous circumstances and start a new life as it were. Many do not share their past with new partners and do not want it highlighting on their Council Tax Invoice.

Staffordshire County Council (SCC) have a representative who can assist care leavers if they request financial support in paying their Council Tax. If so, SCC will make a contribution of up to 100% towards the persons Council Tax, meaning that those who feel they need assistance in this area can get the help that they need without having it identified on their Council Tax Invoice.

This approach is in line with other Staffordshire Local Authorities.

QUESTIONS FROM MEMBERS OF THE COUNCIL NO. 2

Under Procedure Rule No 11, Councillor J Wade will ask the Portfolio Holder for Housing and Planning, Councillor S Smith, the following question:-

In the wake of the Council Increasing leaseholders' insurance by 100 percent, has the time arrived now to stop the monopolisation of leaseholders?

Answer

I don't believe that is the case if we look at the last tow years premium it was lower that years prior to that the new premium will be more aligned with what it was 3, 4 or five years ago.

Supplementary

He says that it is line, how can 100% be in line?

Answer

If you average out what it was 3, 4, 5 years ago it's in line that is the general average of what it is this year. The last two years were almost half of what it was prior to that and what it's going to be for this year. I don't think it's necessarily a huge increase based on historical data.

74 UPDATE TO APPOINTMENT OF CABINET AND ALLOCATION OF CABINET RESPONSIBILITIES

The Leader confirmed the changes to Cabinet

CLLR THOMAS JAY	
Leader of the Council, Finance and Governance	
Portfolio	A.D.
Medium Term Financial Strategy	A.D. Finance
Organisational Development inc HR & Payroll	A.D. People
Corporate Assessments	C.E.O.
WMCA Member	A.D. Growth
Performance	A.D. People
Organisational Financial Sustainability	Executive Management Team
Communication and engagement	A.D. People
Audit & Governance	C.E.O./Section 151 Officer
Procurement	A.D. Finance
Land Charges/Legal/Right To Buy	E.D. Organisation
Customer Services and insight	A.D. People
TIC	A.D. People
Information Mgt/GDPR/Ombudsman	A.D. People

Revenues & Benefits	A.D. Finance
Treasury Management	A.D. Finance
Finance inc revs/bens/C-tax/business rates	A.D. Finance
Corporate Risk Management	A.D. Finance

CLLR SAMUEL SMITH	
Housing and Planning	
Portfolio	A.D.
Disabled Facilities Grants and Disabled Facilities Adaptations	A.D. Assets
Planning: Development Control, Building Control and Conservation	A.D. Growth
Local Plan Development/Implementation	A.D. Growth
HRA Repairs standards /performance	A.D. Assets
HRA Regeneration and Communcal Buildings	A.D. Assets
HRA Business Planning	ED Communities
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
Social Landlord Providers	A.D. Neighbourhoods
HRA Strategy	A.D. Neighbourhoods
Housing and Homelessness Advisory Board	A.D. Neighbourhoods

CLLR JEREMY OATES	
Strategic Projects	
Portfolio	A.D.
Future High Street Fund	AD Growth
Town Centre Regeneration	A.D. Growth

Town Centre Master-planning	A.D. Growth
General Regeneration opportunity	A.D. Growth
Marmion House Future	A.D. Growth
Gungate Regeneration	A.D. Growth

CLLR TINA CLEMENTS	
Engagement, Leisure and Events	
Portfolio	A.D
Entertainment - Assembly Rooms, Castle Operations, Outdoor events, Arts, Culture, Heritage experience, Street Markets	A.D. Environment & Culture/AD Growth for castle & Markets
Member Communications	ED organisation
Public consultation	AD People
Citizens Panel	AD People
Democratic Services inc Member Development	ED organisation
Member Development program	
Memberzone	ED Organisation
Civic Pride	ED organisation
Pride in place -.Community Pride Awards / New Honours Scheme	ED Organisation
Mayoralty	ED Organisation
Armed Forces Covenant	AD Partberships
Community Leisure / Sport	A.D. Environment & Culture
Parks and Play	A.D. Environment & Culture
Sports Development	A.D. Environment & Culture

CLLR PAUL THOMPSON	
Town Centre and Assets	
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
Evening economy	AD Growth
Town Centre Relationships	A.D. Growth
Heritage Assets - maintenance, upkeep	A.D. Assets
Town Centre Strategy	A.D. Growth
Tourism / Destination Tamworth	A.D. Growth
Town Centre Car Parks	A.D. Growth
Economic & Business Development	A.D. Growth
Public Toilets	A.D. Assets

CLLR MARTIN SUMMERS	
Environmental Health and Community Partnerships	
Portfolio	A.D.
Partnerships and Voluntary Sector	A.D. Partnerships
Environmental Health (all disciplines)	AD Growth
Community Safety and ASB	A.D. Partnerships, A.D. Neighbourhoods
Safeguarding	A.D. Partnerships
neighbourhood resilience	AD Neighbourhoods
CCTV	AD neighbourhoods
Car parking Enforcement	A.D. Partnerships
Emergency Planning	A.D. Neighbourhoods
Partnership Development	A.D. Partnerships
Litter Enforcement	A.D. Partnerships
Education and Aspiration	Executive Management Team
Business Continuity	AD Assets

CLLR ANDREW COOPER
Waste, Recycling and Environment

Portfolio	A.D.
Street Scene & environmental management	A.D. Environment & Culture
Flower Arrangements (previously Tamworth in Bloom)	A.D. Environment & Culture
Cemeteries	A.D. Environment & Culture
Nature Reserves	A.D. Environment & Culture
HRA Green Spaces and Neighbourhoods	A.D. Environment & Culture
Climate change & Green Agenda Lead	AD Growth
Electric vehicle strategy	AD Growth
Waste Management	C.E.O
Joint Waste Board with LDC.	C.E.O

75 UPDATE TO APPOINTMENT OF COMMITTEES

The Leader Councillor T Jay updated on the membership of committees following changes to Cabinet members.

Appointments and Staffing Committee.	Infrastructure Safety and Growth Scrutiny,	Health & Wellbeing Scrutiny,	Corporate Scrutiny,	Planning Committee,
Paul Turner	Paul Turner	Daniel Maycock	Daniel Maycock	Marie Bailey
Samuel Smith	John Harper	Stephen Doyle	Marie Bailey	Andrew Cooper
D Cook	Robert Pritchard	Jason Jones	Stephen Doyle	Jeremy Oates
Sarah Daniels	Jason Jones	Marie Bailey	D Cook	John Harper
Carol Dean	B Price	D Cook	B Price	Martin Summers
	R Claymore	R Claymore	R Claymore	P Thurgood
	Ben Clarke	Carol Dean	Lewis Smith	D Cook
	Carol Dean	Chris Bain	Gareth Coates	R Claymore
	Lewis Smith	Sarah Daniels	Chris Bain	Gareth Coates
				Craig Adams
				Lee Wood
				INDEPENDENT
				Jan Wadrup

Licensing Committee	Audit and Governance,	Nominations and Grants	Statutory Officer Conduct Committee,
Tina Clements	Daniel Maycock	Thomas Jay	Robert Pritchard
Paul Turner	Stephen Doyle	Daniel Maycock	Jeremy Oates
Jason Jones	Robert Pritchard	Tina Clements	Paul Thompson
Andrew Cooper	B Price	Carol Dean	Lee Clarke
Paul Thompson	P Thurgood	Chris Bain	Chris Bain
B Price	Sarah Daniels	Richard Kingstone	
P Thurgood	Ben Clarke	J Wade	
J Wade			
Lee Clarke			
Lee Wood			
Gareth Coates			
Richard Kingstone			
Jan Wadrup			

Chief Officer Conduct Committee,
Martin Summers
Paul Turner
Jason Jones
Craig Adams
Lee Clarke

76 STREET TRADING POLICY 2024 - 2026

Councillor R Kingstone and J Wade left the meeting at 18.39pm and did not vote on the Street Trading Policy 2024 -2026

Report of the Portfolio Holder for Environmental Health and Community Partnerships to create a street trading environment which ensures fair trading, protects the amenity of residents, ensures the safety of those trading, promotes diversity and consumer choice and provides applicants with advice and guidance on the Council's approach to the administration for street trading consents and licences under Schedule 4 of the Local Government (Miscellaneous Provisions) Act 1982 ("the Act").

Resolved that Council:

1. Approved the draft Street Trading Policy 2024 – 2026 as set out in Appendix 1;

2. Approved the areas to be considered 'consent' streets suitable for adoption and to advertise the areas for consent once adopted.

(Moved by Councillor M Summers and seconded by Councillor B Price)

Council thanked Officers and members for the input in the Policy

The Mayor

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CABINET

22rd February 2024

COUNCIL

27th February 2024

Report of the Leader of the Council

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2024/25

Purpose

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

- To approve the recommended package of budget proposals (**attached at Appendix 2**) to enable the Council to agree the:
 - General Fund (GF) Revenue Budget and Council Tax for 2024/25;
 - Housing Revenue Account (HRA) Budget for 2024/25;
 - 5 Year General Fund Capital Programme (2024/29);
 - 5 Year HRA Capital Programme (2024/29);
 - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2024/27); and
 - 5 Year HRA Medium Term Financial Strategy (MTFS) (2024/29).

- 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 3**) and the requirement to prepare an annual Corporate Capital Strategy (**Appendix A of the MTFS**).

Recommendations

That Council approve:

1. the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix E of the MTFS);
2. the sum of £27,070 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2024/25 (Table 16, Section 7.8 of the MTFS);
3. the sum of £1,151,630 be applied to Business Rates Collection Fund deficits in 2024/25 (Table 16, Section 7.8 of the MTFS);
4. that on 14 December 2023, the Cabinet calculated the Council Tax Base 2024/25 for the whole Council area as 23,479 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")];
5. that the Council Tax requirement for the Council's own purposes for 2023/24 is £4,759,193 (Appendix F and Appendix H of the MTFS);
6. the following amounts as calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act:
 - a. £4,759,193 being the amount 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);
 - b. £202.70 being the amount at 6 (a) above (Item R), all divided by Item T (at 4 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;
7. the Council Tax level for the Borough Council for 2024/25 of £202.70 (an increase of £5.81 (2.95%) on the 2023/24 level of £196.89) at Band D;
8. 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 £2,107.68 at Band D for 2024/25 be noted (£2,012.94 in 2023/24) (Appendix H of the MTFS);
9. the Council Tax levels at each band for 2024/25 (Appendix H of the MTFS);
10. the sum of £1,134,859 be transferred from General Fund Revenue Balances in 2024/25 (Appendix F of the MTFS);
11. the Summary General Fund Revenue Budget for 2024/25 (Appendix F of the MTFS);
12. the Provisional General Fund Budgets for 2025/26 to 2026/27, summarised at Appendix F of the MTFS, as the basis for future planning;
13. 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;
14. 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;

15. proposed HRA Expenditure level of £18,674,610 for 2024/25 (Appendix J of the MTFS);
16. rents for Council House Tenants for 2024/25 be set at an average of £107.50 (2023/24 £99.66), over a 49 week rent year (including a 7.7% increase in line with the Government's updated Rent Standard for 2024/25);
17. rents for Council House Tenants due for 53 weeks in 2024/25 be collected over 49 weeks;
18. the HRA surplus of £1,053,800 be transferred to the Housing Revenue Account Balances in 2024/25 (Table 18, Section 8.8 of the MTFS);
19. the proposed 5 year General Fund Capital Programme of £6,120,580, as detailed in Appendix 1 to the MTFS;
20. the proposed 5 year Housing Capital Programme of £45,436,220, as detailed in Appendix 1 to the MTFS;
21. 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;
22. the Treasury Management Strategy Statement, the Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Statement 2024/25 (as detailed at Appendix 3);
23. the Prudential and Treasury Indicators and Limits for 2024/25 to 2026/27 contained within Appendix 3 to the MTFS;
24. the detailed criteria of the Investment Strategy 2024/25 contained in the Treasury Management Strategy; and
25. the Corporate Capital Strategy and associated Action Plan (as detailed at Appendix 1 of the MTFS).

1 Executive Summary

1.1 Based on the draft budget assumptions contained within the report, the headline figures for 2024/25 are:

- A General Fund Net Cost of Services of £8,183,090;
- A transfer of £1,134,859 from General Fund balances;
- The Band D Council Tax would be set at £202.70, an increase of £5.81 (2.95% - £0.12 per week) on the level from 2023/24 of £196.89;
- A transfer of £1,053,800 to HRA balances;
- General dwelling Rent increases will be increased by 7.7%, being CPI +1%. This will increase average rent from £99.66 in 2023/24 to £107.50.
- A 2024/25 General Fund Capital Programme of £1,868,200 (£6.121m over 5 years);
- A 2024/25 Housing Capital Programme of £11,042,580 (£45.436m over 5 years).

Background

2 Vision, Strategic Priorities & Plans

2.1 A new refocused vision to reflect new priorities for the Council and the associated 3 year Corporate Plan was approved at Council in February 2022.

2.2 This followed work brought together by councillors during a number of councillor-led workshops and seminars – together with a more collaborative approach to budget setting with additional workshops which were held to ensure all councillors were able to have involvement in what is important to them and their residents, which have been repeated again this year.

2.3 Our vision is **‘Tamworth – celebrating our heritage, creating a better future’**

2.4 The vision, together with the 3 year 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.

2.5 **Our primary areas of focus are:**

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

- **The Town Centre**

- 2.6 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. These are detailed in Appendix 1.

3 Medium Term Financial Strategy (MTFS)

- 3.1 The MTFS builds on the Draft Base Budget Forecast Report for 2024/25 to 2028/29 considered by Cabinet on 25 January 24 and Budget Scrutiny Committee on 31 January 24.
- 3.2 The (MTFS) is attached in full in Appendix 2.
- 3.3 On 5 February 24, the Secretary of State for Levelling Up, Communities and Local Government published a written ministerial statement on the 2024/25 local government finance settlement. The one year settlement is reflected in the MTFS.
- 3.4 The budget proposals included in the MTFS reflect the need to compensate for reduced income levels arising from the uncertain political and economic conditions and potential significant medium term reductions in Government funding. This is matched against 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.
- 3.5 The increase in Council Tax is limited to the higher of £5 or 3% in order to avoid the need to hold a referendum. Three options for increasing Council Tax have been considered: zero, £5 and 2.95%. The results are summarised in Table 1 below.

Table 1 – Comparison of different Council Tax Options

Year:	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast:	£'000	£'000	£'000	£'000	£'000
2.95% increase in Council Tax					
Surplus (-) /Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645
£5 increase in Council Tax					
Surplus (-) /Deficit	1,154	3,305	4,797	4,925	5,161
Balances Remaining (-) / Overdrawn	(9,166)	(5,862)	(1,065)	3,860	9,022
Zero increase in Council Tax					
Surplus (-) /Deficit	1,271	3,541	5,155	5,406	5,768
Balances Remaining (-) / Overdrawn	(9,049)	(5,507)	(352)	5,054	10,822

- 3.6 All options leave the Council facing a deficit in 2024/25 and beyond which require the use of reserves to balance the budget.
- 3.7 Existing General Fund reserves would be insufficient to cover deficit levels beyond 2025/26 if Council Tax is not increased at all.
- 3.8 Increases of either £5 or 2.95% will ensure that there are sufficient General Fund reserves to cover the deficit and leave the required minimum level (£500k) over the 3 year period to 2026/27. However, for either option, there remains a significant ongoing deficit. Whilst this can be met from General Fund reserves over the short term, savings approaching £5m per year are required from 2027/28 in order to balance the budget.
- 3.9 The development of a Sustainability Strategy is required in order to avoid significant financial cuts in future years. This can be developed alongside the Productivity Plan required as part of the Final Local Government Finance Settlement.
- 3.10 A General Fund five year revenue budget summary assuming a 2.95% increase in Council Tax is shown in Table 2 below.

Table 2 – 5 Year Base Budget forecast assuming 2.95% increase in Council Tax

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
Financing:					
RSG	(322)	(328)	(335)	(342)	(349)
Collection Fund (Surplus) / deficit Council Tax	(27)	(27)	(27)	(27)	(27)
Collection Fund (Surplus) / deficit Business Rates	1,152	-	-	-	-
Business Rates Tariff	11,173	12,361	13,139	13,401	13,669
Business Rates net income	(14,265)	(15,407)	(15,715)	(16,030)	(16,350)
Council Tax	(4,759)	(4,941)	(5,130)	(5,326)	(5,528)
Gross Financing	(7,048)	(8,343)	(8,069)	(8,323)	(8,585)
(Surplus) / Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645

4 Productivity Plan Requirement

4.1 As part of the Local Government Funding Settlement, the Government announced the requirement for local authorities to prepare a Productivity Plan which should be published by July 24. They must be agreed by Council Leaders and members and published on local authority websites, together with updates on progress.

4.2 The Plans should cover:

- 1) transformation of services to make better use of resources;
- 2) opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- 3) ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counterextremism; and
- 4) barriers preventing activity that the Government can help to reduce or remove.

4.3 The Productivity Plan will be developed alongside the Sustainability Strategy, and will give consideration to increasing income, reviewing services, tackling

persistent over and underspends with a view to becoming financially sustainable over the medium term.

- 4.4 These plans will be developed over the coming months and will be presented to Members in June 24.

Housing Revenue Account

- 5.11 The HRA budgets have been updated to reflect technical and policy changes (See Section 8 of the MTFs for further details).

- 5.12 Assuming increases in Rent capped CPI+1% (7.7%) allowed by the Government's recent rent setting guidance, the budget position indicates that balances will remain above the approved minimum level of £0.5m over the five year period.

Table 3 Impact on HRA Balances after Policy Changes

<i>figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2023/24 £	Budget 2024/25 £	Budget 2025/26 £	Budget 2026/27 £	Budget 2027/28 £	Budget 2028/29 £
HOUSING REVENUE ACCOUNT						
HRA Summary	(4,620,760)	(6,218,000)	(6,201,910)	(6,566,060)	(6,916,950)	(7,305,750)
ED Communities	28,060	28,960	31,300	33,850	36,490	39,150
AD Operations & Leisure	268,240	297,270	301,120	304,720	308,420	312,240
AD Operations & Leisure	391,100	419,370	430,050	441,000	450,790	460,080
AD Assets	283,660	223,510	216,270	249,200	280,230	310,310
AD Neighbourhoods	4,473,180	4,195,090	4,072,150	4,145,780	4,225,480	4,303,240
Housing Repairs	0	0	0	0	0	0
GRAND TOTAL	823,480	(1,053,800)	(1,151,020)	(1,391,510)	(1,615,540)	(1,880,730)
Balances B/Fwd	(2,762,484)	(2,531,484)	(3,585,284)	(4,736,304)	(6,127,814)	(7,743,354)
Balances C/Fwd	(2,531,484)	(3,585,284)	(4,736,304)	(6,127,814)	(7,743,354)	(9,624,084)

- 5.13 Table 3 shows that Housing Revenue Account balances are expected to be £6.1m at the end of 2026/27. Whilst these balances would appear to be significant, they are required to build up reserves in order to meet the long term costs of the capital programme included in the 30 year HRA business plan (see section 8.5 of the MTFs, Appendix 2).

6 Treasury Management Strategy / Prudential Code

- 6.1 The Treasury Management Strategy Statement and report attached at **Appendix 3** outlines the Council's Prudential Indicators for 2024/25 to 2026/27 and sets out the expected Treasury operations for this period.
- 6.2 CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that after a soft introduction of the Codes, Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2024/25. The Code has been fully implemented in the Council's 2024/25 Treasury Management Strategy.

7 Options Considered

- 7.1 As part of the budget setting process a number of options for the council tax increase levels for 2024/25 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	2.95% (£5.81) increase in Council tax in 2024/25 (followed by increases of 2.95%pa thereafter)
Model 2	£5 increase in Council tax in 2024/25 (followed by increases of £5pa thereafter.)
Model 3	0% increase in Council tax in 2024/25 (followed by increases of 0% thereafter)

8 Resource Implications

- 8.1 As detailed in the body of this report.

9 Legal / Risk Implications

- 9.1 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. The level of reserves remains adequate for the Council based on this budget and the circumstances in place at the time of preparing it. A full statement from the Executive Director of Finance is included in the MTFS at Appendix G.
- 9.2 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 31 January 2024. In line with the constitution a Leaders Budget

Workshop was held on 29 November 2023 to outline the issues affecting the MTFS arising from the base budget forecast.

- 9.3 The budget has been set following extensive consultation with the people of Tamworth. This includes feedback and responses from the Annual Survey consultation exercise.
- 9.4 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.
- 9.5 The Key Risks associated with the Revenue and Capital Forecasts are detailed in Section 3.8 of the MTFS.
- 9.6 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.

10 Sustainability Implications

- 10.1 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).
- 10.2 The Capital Budget specifically includes:
 - £1m per year in 2024/25 to 2026/27 on works to achieve zero carbon in the housing stock.
 - £75k per year for Energy Efficiency Upgrades to Commercial and Industrial Units.
 - £685k per year for heating upgrades in the HRA stock.
 - £100k per year damp and mould works.

Report Author:

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

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2023/24, Council 23 February 2023
	Budget and Medium Term Financial Planning Process, Cabinet 31 August 2023
	Leaders Budget Workshop, 29 November 2023
	Draft Base Budget Forecasts 2024/25 to 2028/29, Cabinet 30 November 2023
	Treasury Management Strategy Statement & Annual Investment Strategy Mid-year Review Report 2023/24, Council 12 December 2023
	Draft Budget and Medium Term Financial Strategy 2024/25 to 2028/29, Cabinet 25 January 2024 / Joint Scrutiny Committee (Budget) 31 January 2024
	Business Rates Income Forecast (NDR1 return), Cabinet 17 January 2024
	Council Tax Base Cabinet 14 December 2023

Summary of Appendices

Description	Appendix
Corporate Vision for Tamworth	1
Medium Term Financial Strategy	2
Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2024/25	3

'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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

<p>4. Living in Tamworth</p>	<ul style="list-style-type: none"> • 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
<p>5. Town Centre</p>	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Development of an Organisational Development Strategy 	<ul style="list-style-type: none"> • Future High Street Funds
<ul style="list-style-type: none"> • Town Centre Masterplan 	<ul style="list-style-type: none"> • Gungate Development
<ul style="list-style-type: none"> • Place investment Strategy 	<ul style="list-style-type: none"> • Medium Term Financial Strategy and delivery plan
<ul style="list-style-type: none"> • Corporation Street Gateway Project 	<ul style="list-style-type: none"> • Reset and Recovery Programme
<ul style="list-style-type: none"> • Development of Housing Revenue Account Business Plan 	
<ul style="list-style-type: none"> • Garage Site Development 	
<ul style="list-style-type: none"> • Asset Management Strategy 	
<ul style="list-style-type: none"> • Town Hall Development 	
<ul style="list-style-type: none"> • Completion of the Local Government Boundary Review 	
<ul style="list-style-type: none"> • Development of Tourism Strategy 	

Tamworth Borough Council Medium Term Financial Strategy 2024/25 to 2028/29

Contents

Section 1	Purpose and Objectives of the Strategy
Section 2	Economic Context of the Strategy
Section 3	Issues Impacting on the Budget
Section 4	Reserves and Balances
Section 5	Future Years Funding Streams
Section 6	Outlook for 2024/25 to 2027/28
Section 7	General Fund Summary and Conclusions
Section 8	Housing Revenue Account (HRA)
Appendix A	Capital Strategy 2024/25
Appendix B	Draft General fund Capital Programme 2024/25 – 2027/28
Appendix C	Draft HRA Capital Programme 2024/25 – 2027/28
Appendix D	Main Budget Assumptions
Appendix E	Policy Changes 2024/25 to 2028/29
Appendix F	General Fund Five Year Revenue Budget Summary
Appendix G	Section 151 Officer Statement
Appendix H	Estimated Council Tax levels at each band for 2024/25
Appendix I	Sensitivity Analysis
Appendix J	HRA Budgeted Income and Expenditure Account

SECTION 1 – PURPOSE AND OBJECTIVES

- 1.1 The purpose of the Council’s financial strategy is to provide clear and understandable information on actions which are needed to ensure the long-term financial sustainability of the Council. It supports affordable, sustainable service delivery through the use of revenue budgets, capital budgets, reserves and balances.
- 1.2 A medium-term financial strategy (MTFS) sets out how finances are to be managed in such a way as to manage levels of rent, council tax and reserves. In simple terms, it will set out how a stable and robust financial platform can be created such that developments and improvements in services set out in the Corporate Plan can both be achieved and sustained over time.
- 1.3 The Strategy should reflect the priorities outlined in the Corporate Plan and link together with all other strategies of the organisation such as the Capital Strategy, Treasury Management Strategy and Reserves Strategy.
- 1.4 The objectives of the Council’s financial strategy are as follows:
 - a) To provide a stable financial foundation to assist in decision making.
 - b) To enable the Council to be proactive rather than reactive in terms of financing.
 - c) To support the continuance of the Council’s core service strategies.
 - d) To support sustainable service delivery using revenue budgets and reserves.
 - e) To seek to minimise the impacts on the council tax payer and housing rent payers of fluctuations in demand for resources.
 - f) To hold a working balance of cash and reserves sufficient to respond to unexpected events and/or opportunities.
 - g) To be flexible and responsive to changes in needs and legislation.
 - h) To take account of the wider economic climate and local influences.
 - i) To ensure that the capital base of the Council can be maintained within affordable and sustainable limits.
- 1.5 A number of principles have been developed to underpin these objectives:

- a) Resources will be prioritised to meet the core aims of the Service as set out in the Corporate Plan and other strategies which flow from the Corporate Plan.
- b) Priorities will be reviewed in the light of available resources and financial performance.
- c) Priorities will be influenced by the Corporate Risk Register.
- d) Capital will be financed using the most advantageous method prevailing at the time finance is required, within the requirements of the Prudential Code. A full options appraisal will be carried out before financing decisions are taken.
- e) Investment decisions will be based on a balance of risk and return, remain biased towards low risk activity and follow the CIPFA principles of security, liquidity, and yield in that order.
- f) Council tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by reserves unless this is part of a long-term sustainable strategy and approved by Members.
- g) Housing rents will increase in accordance with Council's Rent Setting Policy (see section 8)
- h) Charging for services will remain sensitive to the needs of communities and their expectations of the Council.
- i) The Council will apply any year end surpluses / deficits to general fund reserves once any allocations to earmarked reserves have been made.
- j) Longer term financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition, but not of permanent support.

Financial Management

- 1.6 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 2024/25 and provisional proposals for the following years.
- 1.7 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 2023/24 budget to arrive at the starting point for 2024/25.
- 1.8 The Council's medium term financial plan used as the basis for the 2024/25 budget, aims both to deal with a challenging financial position and to find resources to address the Council's corporate priorities and is based upon:

- The need to compensate for reduced income levels arising from the continuing economic uncertainty and increased cost pressures.
 - Injecting additional resources into corporate priorities.
 - Increasing income from council tax and fees and charges.
 - Making other savings and efficiencies.
- 1.9 Budget managers are fully involved in developing revenue and capital budgets to ensure that annual budgets accurately reflect demand levels and cost pressures. Inflation is built in where necessary and not necessarily applied at a flat rate across the board.
- 1.10 The external auditors of the Authority have consistently issued unqualified audit reports and positive management letters to the Council in respect of their audit of accounts and their conclusion on the effective arrangements in place to achieve value for money. The External Auditors, Grant Thornton, provided a draft 2022/23 audit opinion to the Audit and Governance Committee on 27 September 2023 which concluded that the Statement of Accounts were free of material misstatements. However, it should be noted that the audit is yet to be completed and the Council has not yet received the final audit opinion or value for money opinion.
- 1.12 The Internal Annual Audit Report for 2022/23 provided the following Annual Internal Audit Opinion:
- On the basis of audit work completed, Internal Audit's opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All these have been, or are in the process of being addressed.*

Financial Background

- 1.13 The prevailing economic climate has caused increased financial pressures to be placed upon all public sector bodies and the Council is no exception. The overall funding position remains uncertain over the next three years.
- 1.14 The challenge to the organisation is not only how to survive in this period of uncertainty but how to continue to both provide and develop high quality services for the communities it serves. Finance is a clear enabler in this context and sound financial management is essential to ensure that maximum value can be achieved with the resources available.
- 1.15 The Council will continue to manage its financial resources to the highest professional standards and back this up with a strong governance framework which will include scrutiny by the Audit and Governance Committee and regular reporting to elected members and the Executive Management Team.

In addition, an independent Internal Audit function is maintained to give additional assurances to both Members and Senior Officers. The service follows the Financial Management Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 1.16 The post of Executive Director of Finance is responsible for developing and maintaining the Medium Term Financial Strategy and this post reports directly to the Chief Executive.

SECTION 2: ECONOMIC CONTEXT OF THE STRATEGY

- 2.1 The current economic climate remains uncertain with many external influences. Local Government received a one-year funding settlement for 2024/25. With a general election due to be held in 2024 there remains significant uncertainty around Local Government funding beyond 2024/25.
- 2.2 In November 23, CPI (Consumer Price Index) inflation decreased to 3.9% from 4.6% in October and 6.7% in September. The Bank of England inflation forecast expects inflation to carry on falling to reach the target of 2% by mid-2025.
- 2.3 Bank rate has increased from 0.75% in April 2022 to 5.25% in September 2023, its highest level since February 2008. Interest rates are expected to peak at the current rate before coming down again. This has two impacts on the Council in that expected borrowing rates will reduce over the coming year, but so will investment rates which will impact on investment income for 2024/25.

SECTION 3: ISSUES IMPACTING ON THE BUDGET

Corporate Plan

- 3.1 The Council's [Corporate Plan](#) covers the years 2022-2025 and sets out the priorities for the Council over this period. The MTFFS reflects the priorities set out in the Corporate Plan, including major Capital projects related to the Future High Streets project and Gungate development.

Risk / Corporate Risk Register

- 3.2 The corporate risk register is reported quarterly to the Audit and Governance Committee. Corporate risks are identified, managed and monitored by the Corporate Management Team.
- 3.3 The five highest risks facing the Council are listed below:
 - Energy supply Crisis
 - Cost of Living Crisis
 - High Inflation

- Food supply crisis
 - Cyberattacks on critical infrastructure
- 3.4 The financial implications of these risks have been addressed in the capital and revenue proposed budgets.
- 3.5 The medium term financial planning process is being challenged by the uncertain political and economic conditions. The budget forecast is based on a 5 year period, but does contain a number of uncertainties. The forecast grant reductions and uncertainty over future Local Government funding arrangements put significant pressure on the ability of the Council to publish a balanced 5 year MTFS.
- 3.6 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.
- 3.7 There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2024/25 to 2028/29 which add a high level of uncertainty to budget projections.
- 3.8 The most significant risks to capital and revenue forecasts are set out in Table 1 below:

Table 1 - Risks to Capital and Revenue 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)
Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; (Medium)	Increases of 3% or £5 for District Councils have been announced as part of the Local Government Funding Settlement 2024/25. Future years remain uncertain. (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)	An offer of £1,925 for 2023/24 has been agreed. Increases of 2.0% p.a. assumed from 2025/26 following 4% in 2024/25; (High / Medium)
Pension costs higher than planned / adverse performance of pension fund;	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), with a further

Risk	Control Measure
<p>(Medium)</p>	<p>freeze to 2025/26 followed by 1% p.a. year on year increases included from 2026/27; (Medium/Low)</p>
<p>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;</p> <p>New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation;</p> <p>(High)</p>	<p>Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue;</p> <p>Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels;</p> <p>Monitoring of the situation / regular reporting;(High / Medium)</p>
<p>Local Council Tax Reduction scheme potential yield changes and maintenance of collection levels due to increases in unemployment caused by the pandemic;</p> <p>(High)</p>	<p>Robust estimates included. Ongoing proactive management & monitoring (including a quarterly health check on the implications on the organisation – capacity / finance) will continue; (High / Medium)</p>
<p>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.</p> <p>(High / Medium)</p>	<p>Robust estimates using a zero based budgeting approach have been included;</p> <p>(Medium)</p>
<p>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 current cost pressures on economic conditions and uncertainty.</p> <p>(Medium)</p>	<p>Robust monitoring and evaluation of the situation</p> <p>(Medium)</p>
<p>Impact of potential conflict in Middle East resulting in volatile financial markets/impact on oil prices and consequential inflation/energy price increases.</p> <p>(High / Medium)</p>	<p>Robust monitoring and evaluation of the situation</p> <p>(Medium)</p>
<p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund);</p> <p>(High / Medium)</p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress;</p> <p>(Medium)</p>
<p>Dependency on partner organisation arrangements and contributions e.g. Waste Management - (Staffordshire County Council (SCC) / Lichfield District Council (LDC).</p> <p>(High / Medium)</p>	<p>Memorandum of Understanding in place with LDC.</p> <p>(Medium)</p>
<p>Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such.</p>	<p>Planned development of long term strategic corporate capital strategy and asset management plan to consider the</p>

Risk	Control Measure
(High / Medium)	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 approximately 4% p.a. but this is not guaranteed. The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains). (High/Medium)	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. It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds. Property Fund investment review carried out 2021. (Medium)

3.9 In light of these uncertainties and issues arising from the sensitivity analysis (see section 6.8), the budget contains contingency budgets of £100k in the General Fund (£250k for capital) and £130k for the Housing Revenue Account (HRA) (£100k for capital).

Public Consultation

3.10 The results of the annual survey and budget consultation, to inform the decision-making process around council budget and priorities were considered by Cabinet on 25 January 2024.

3.11 737 people chose to take part in this, compared to 712 in 2022.

3.12 There is a clear endorsement from the majority of respondents of our council priorities, agreeing that all are very or fairly important. This would suggest the corporate priorities are, and remain, the right focus for Tamworth Borough Council.

3.13 There is a clear appetite for more spending on many of our very visible services:

- Tackling anti-social behaviour
- Improving the economic, physical, social and environmental condition of Tamworth
- Parks and open spaces

3.14 This is wholly consistent with the other findings in this survey, views around Tamworth as a place to live, responsiveness of the council and dissatisfaction

match these same areas where people would like to see increases in spending.

3.15 Beyond increases, it is more difficult to make clear conclusions. There is however appetite to reduce spending on:

- Arts, Assembly Rooms and Events
- Support to local businesses
- Tackling climate change

3.16 Like in 2022, reducing spending for Arts, Assembly Rooms and events remains the top choice of local people. This is also reflected in the question where we ask where people think we should make savings. It should however be noted the expenditure figures shown for Assembly Rooms and Castle are before any income generation.

3.17 As in 2022, respondents chose to increase charges for leisure and commercial property and opted for the lowest increase in council tax.

Capital Strategy

3.18 The Capital Strategy for each year is approved by Council alongside the MTFS. The updated Capital Strategy for 2024/25 is attached at Appendix A. The Strategy sits alongside the Medium Term Financial Strategy (MTFS), Asset Management Plan and HRA business plan. 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.

3.19 The Authority has considered the sustainability of its capital plans which have been mapped out over future years to assist in the revenue budget planning process. The 2024/25 to 2028/29 capital programme is attached at Appendix B (General Fund) and C (HRA) and will be considered alongside revenue budgets by Council February 2024. The revenue implications of the capital expenditure have been built into the revenue budgets for these years. The borrowing costs and long term affordability of the programme are considered as part of the Prudential Indicators set each year and are judged to be affordable (see section 3.24 – 3.25).

3.20 The General Fund capital programme totals £1.9m for 2024/25 and will require borrowing of £1.4m over the next 5 years subject to the exploration and availability of alternative funding. There is likely to be slippage from the 2023/24 capital programme which will be transferred into 2024/25.

3.21 Key Schemes include:

- Disabled Facilities Grants, £650k p.a. (including £547k p.a. BCF grant);
- Balancing Ponds, £100k (£700k over the 5 years);
- Refurbishment of Anker Valley changing rooms of £100k;
- Capital repairs programme at the Castle £250k
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.

- Street lighting, £171k;
- Technology upgrades including replacement hardware £300k; and system upgrades/renewals £245k
- Play area refurbishment, £200k;
- CCTV upgrades, £137k.

3.22 The HRA capital programme totals £11m in 2024/25 and will require borrowing of £2.8m over the next 5 years subject to the exploration and availability of alternative funding.

3.23 Key HRA Schemes include:

- HRA Business plan works to dwellings, £23.1m;
- Neighbourhoods £1.0m;
- Disabled Facilities Adaptations £3.5m;
- High Rise works £3.89m;
- Retained Garage Sites, £930k;
- Regeneration & Affordable Housing, £7.25m;
- Fire Risk mitigation works, £300k;
- Damp & Mould works, £500k;
- Decarbonisation works to achieve Zero Carbon, £3.0m.

The Prudential Code

3.24 The Authority's Prudential Code is on the agenda to be approved alongside the MTFs on 27 February 2024. It sets out the prudential indicators for 2024/25. The freedoms provided by the Prudential Code for Capital Accounting are to be fully used to make the best possible investment decisions in relation to capital spending in order that meaningful choices can be made between borrowing, leasing, and the use of capital receipts. Nevertheless, it is still considered important that the Authority should not expose itself to unduly high levels of debt and it is necessary for a view to be taken as to how much debt is sustainable in the longer term.

3.25 The Authority predominantly funds its capital investments through capital receipts, grants and borrowing. The overall strategy for borrowing is set out in the Treasury Management Strategy document and in the Prudential Code Report. In the longer term there is still an exposure from the loan charges on new capital being greater than anticipated due to the unpredictability in borrowing rates. This may require some revision to future years' capital plans.

Technical Adjustments

3.26 Revisions / updates have been made to the 2023/24 base budget in order to produce an adjusted base for 2024/25 and forecast base for 2025/26 onwards. These changes, known as technical adjustments, have been informed by feedback from budget managers and 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
- The 'Zero base budgeting' review of income levels.

3.27 The technical adjustments reported to Cabinet on 30 November 23 have been updated to reflect internal recharges to non general fund activity and inflation on agreed policy changes. Any other changes have been incorporated into the Policy Changes and are detailed in section 3.29. The revised technical adjustments are detailed in Table 2 below.

Table 2 - General Fund Technical Adjustments Summary

Technical Adjustments	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Base Budget B/Fwd	8,806	8,036	11,831	12,070	12,422
Committee Decisions	(183)	1,866	(57)	25	0
Inflation	21	43	38	54	56
Other	(812)	1,412	(37)	2	134
Pay Adjustments	251	482	303	280	265
Revised charges for non-general fund activities	(47)	0	0	0	0
Virements	0	0	0	0	0
Total / Revised Base Budget	8,036	11,839	12,086	12,447	12,902

Policy Changes

- 3.28 2023/24 budgets have been updated to reflect changes in policy, developments or Technical Changes approved by Cabinet on 30 November 23. The main budget assumptions behind the changes to the budgets are shown in Appendix D. A full list of Policy Changes is attached at Appendix E.
- 3.29 There have been 9 new Policy Changes built into the 2024/25 budget since the draft budget was approved by Cabinet on 25 January 2024 and considered by the Joint Scrutiny Committee on 31 January 2024. The impact

of the changes is a net reduction in costs of £15k for the General Fund and an increase in costs of £28k for the HRA. The changes are detailed below:

- Heritage and Leisure Officer - £50k
- Increase in Local Government Funding Guarantee (from 3% to 4%) - £88k
- Revenue impact of capital programme - £60k
- Recharge to HRA revenue impact of HRA capital programme - £28k
- Reduced lease income following purchase of Gungate car park leasehold - £100k
- Increased Car parking income following purchase of Gungate car park - £150k
- NNDR charge for Gungate Car park - £31k
- Staffordshire 3 Memorial - £10k
- HRA – revenue impact of capital programme - £28k

3.30 Policy Changes in excess of £50k are shown in Table 3 below:

Table 3 - Policy Changes exceeding £50k

Proposal	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000
People					
Retain Customer Service Advisor staff provision and make permanent 1.7 FTE posts to meet continuing demand re enquiries and service requests	51.5				
Revenue implications of capital projects - £26k Civica Electronic Document Management; £50k Customer Relationship Management and customer portal; £38k contact centre / telephony	104.0				
Realignment of Salaries Budgets following latest Pay Award	80.93	(38.61)	1.06	1.05	0.95
Environment, Culture & Wellbeing					
Realignment of Salaries Budgets following latest Pay Award	110.6	(52.66)	1.56	1.37	1.18
Funding to subsidise public swimming at Snowdome (contract to be re-negotiated) – Approved Cabinet 30 Nov 23	110.0				
Creation of 3-person multi-skilled reactive maintenance team - 2 EMOs £60k; 1 Chargehand £35.53k annual vehicle rental £6.4k, fuel £3k, machinery and tools £7k	111.95				

Proposal	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000	Budget Change 2024/25 £'000
Increased budget for salaries at the Assembly Rooms for 2 yrs, to sustain the Arts & Events Team yearly programme and activity, and ensure the department remains operational.	188.76		(138.76)		
Finance					
Removal of ongoing consultancy fees budget	(50.00)				
Reduced Local Government Services Grant (Section 5.21)	79.58	(79.58)			
New Homes Bonus extension (see 5.21)	(503.0)	503.00			
Realignment of Salaries Budgets following latest Pay Award	70.22	(33.89)	0.98	0.94	0.89
Business Rates Levy Payment	125.00	(125.00)			
Business rate relief Sn 31 grant	181.41	(181.41)			
Transfer from Business Rates Equalisation Reserve	(500.00)	500.00			
Revenue impact of capital programme	60.15	8.10	16.70	18.73	
Assets					
Reduced lease income following purchase of Gungate carpark	100.00				
Growth and Regeneration					
Additional car parking income following price increases (approved Cabinet 1 Nov 23)	(157.00)				
Additional car parking income following purchase of Gungate carpark	(150.00)				

3.31 The revised 2024/25 Net Cost of Services after Technical Adjustments and Policy Changes is £8,183k as detailed in Table 4 below. This is a reduction from 2023/24 mostly due to the extension of the New Homes Bonus for another year and an increase in income from investments due to assumed higher interest rates.

Table 4 – 2024/25 Net cost of Services

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2023/24 £	Technical Adjustments £	Policy Changes £	Budget 2024/25 £
Chief Executive	1,890,420	(13,240)	33,710	1,910,890
AD Growth & Regeneration	945,870	(730,880)	447,260	662,250
ED Organisation	610,280	(501,530)	580,140	688,890
AD People	2,445,180	332,510	5,090	2,782,780
AD Operations & Leisure	3,824,980	1,211,730	(919,130)	4,117,580
ED Finance	90,630	2,690	-	93,320
AD Finance	(2,638,720)	(1,364,380)	19,220	(3,983,880)
ED Communities	-	(37,140)	37,140	0
AD Assets	(125,610)	53,120	119,440	46,950
AD Neighbourhoods	875,250	(75,800)	13,580	813,030
AD Partnerships	887,800	353,050	(189,570)	1,051,280
Recharges	-	0	-	0
Total Cost of Services	8,806,080	(769,870)	146,880	8,183,090

3.32 The revised Net Cost of Services and 5 year funding summary for 2023/24 to 2027/28 is included in Appendix F.

SECTION 4: RESERVES AND BALANCES

4.1 The Local Government Finance Act 1992 requires billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Treasurers' duty to report on the robustness of estimates and adequacy of reserves when the authority is considering its budget requirement is set out under section 25 of the Local Government Act 2003.

4.2 CIPFA sets out that reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
- A contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but legally remain part of the General Fund.

- 4.3 The Authority reviewed the levels of reserves it requires as part of the Reserves Report considered by Cabinet on 14 December 2023. After taking account of the anticipated outturn position for 2023/24, as reported to Corporate Scrutiny Committee on 7 February 24, the General Fund and HRA are expected to hold £10.3m and £2.5m respectively in general balances as at 31 March 2024.
- 4.4 Earmarked Reserves are held for a specific purpose. Examples include projects where grant funding has been awarded and is held in an earmarked reserve pending expenditure on the project, funds held for specific capital or revenue projects to help even out expenditure across different financial years. Earmarked Reserves were reviewed by Cabinet on 14 December 2023. A summary of expected reserve levels at 31 March 2024 is shown in Table 5 below.

Table 5 Summary of Reserve Levels

Reserve	Opening Balance 1 April 2023 £'000	Closing Balance 31 March 2024 £'000
General Fund (GF)		
General Balances	9,615	10,320
Earmarked Reserves	15,560	7,651
Total GF	25,175	17,971
Housing Revenue Account (HRA)		
General Balances	2,761	2,530
Earmarked Reserves	8,540	8,376
Total HRA	11,301	10,906

- 4.5 The expected level of total General Fund reserves at 31 March 2024 is £17.97m. The expected level of HRA reserves at 31 March 2024 is £10.916m.
- 4.6 At the Council meeting on 23rd February 2016 Members approved a minimum working level of General Fund balances of £0.5m. The minimum level of balances for planning purposes will remain at £0.5m.
- 4.7 Under Section 25 of the Local Government Act 2003, the Section 151 Officer is specifically required to report to the Authority on the adequacy of reserves. This statement is attached at Appendix G.

SECTION 5: FUTURE YEARS FUNDING STREAMS

Income

5.1 The 2024/25 local government finance settlement has again been announced for one year only. For 2025/26 and beyond, the potential for a multi year settlement will depend on the timing of the General Election. There remains a high degree of uncertainty arising from the planned Fair Funding Review and Business Rates Reset which are the most significant changes in Local Government funding for a generation. The main funding streams determined by the settlement are detailed in the paragraphs below.

5.2 The Council receives funding from 4 main funding streams –

- Revenue Support Grant (see sections 5.3 – 5.4)
- Business Rates (sections 5.5 to 5.20)
- Specific Grants (sections 5.21)
- Council Tax (sections 5.22 to 5.30)

Revenue Support Grant (RSG)

5.3 Tamworth BC receives only a small proportion of its income through Revenue Support Grant - £322k in 2024/25 (£302k in 2023/24). In line with the Local Government Funding Policy Statement this has increased by September 23 inflation (6.7%). Future years RSG is expected to increase in line with inflation estimates.

5.4 Future year's RSG will be affected by the Fair Funding Review, will update the formulas used for distributing RSG between Authorities in an attempt to make it more equitable by reviewing relative needs and resources. The Draft Budget report presented to Cabinet on 30 November 23 assumed the reforms would come into place in 2025/26 but indications following the 2024/25 Draft Local Government Finance Settlement (published on 5 December 23) are that it is now unlikely to be before 2026/27.

Business Rate income

5.5 Total Business Rate income consists of 3 elements:

- Business Rate Income
- Tariff Payment
- Section 31 grants to compensate for Central Government decisions around Business Rate relief and adjustments to the multiplier.

Outline of Business Rate Scheme

5.6 The 2013/14 Business Rates Retention (BRR) scheme set out the mechanism for operating Business Rate collection. The scheme determines both the Business Rate Baseline (BRB) which identifies the amount of Business Rates that the Council is expected to collect each year and the Baseline Funding

Level (BFL) which is based on an assessment of the authority's relative funding need and its assumed ability to generate council tax revenue.

- 5.7 Where the Baseline Funding Level exceeds the Business Rate Baseline (ie the Council collects more than what the government judge that it requires), as in Tamworth, the authority is required to pay a tariff into the central pool which is then distributed to other Local Authorities whose collection levels fall short of their baseline need assessment. In 2023/24, the tariff payment was set at £10.687m. An analysis of the estimated Baseline Funding Levels for future years following the Local Government Provisional Finance Settlement is shown in Table 6 below.

Table 6 – Analysis of Baseline Funding Level

BASELINE FUNDING LEVEL	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Base Budget Forecast (November 23)						
Business Rate Baseline	13,113	13,386	15,407	15,715	16,030	16,350
Less: Tariff payable	-10,687	-10,909	-12,881	-13,139	-13,401	-13,669
Baseline Funding Level	2,426	2,476	2,526	2,577	2,628	2,681
MTFS Forecast (Provisional Settlement)						
Business Rate Baseline	13,113	13,682	13,886	16,186	16,418	16,670
Less: Tariff payable	-10,687	-11,137	-11,303	-13,566	-13,760	-13,971
Technical adjustment following NNDR3 return	36	-36				
Baseline Funding Level	2,462	2,509	2,583	2,621	2,658	2,699
Increase / (Decrease)	36	32	57	44	30	18

- 5.8 The Government's assessed Business Rates Baseline for the authority is only based on an adjusted average income figure going back to 2013/14. The actual income received is higher than this due to growth, which means that the provisional settlement no longer provides the real funding level for authorities.

- 5.9 If the actual amount of income received from business rate collection (due to growth), exceeds the Baseline Funding Level, the difference is split as follows:

Table 7 – Split of Business Rates Growth

	%
Tamworth BC	40
Central Pool	25
Staffordshire BR Pool (Section 5.11)	25
County Council	9
Fire	1
Total	100

- 5.10 New Burdens (Section 31) Grant is receivable from the Government to compensate the Council for business rate reliefs that form part of government policy (such as Small Business Rate Relief). Any section 31 grant that relates to growth will be split 50% to the Council and 50% to the Staffordshire Business Rate Pool.
- 5.11 The Council has been member of the Staffordshire and Stoke on Trent Business Rates pool since its inception in 2013/14. The pool charges a levy to its members equivalent to 25% of growth (as set out in table 7 above) plus 50% of Section 31 relief compensation grant. The levies are held in a reserve to pay out member authorities should their Business Rate income fall below the floor level set by the Government. Any excess funding can be distributed back to its member authorities by agreement with Members.
- 5.12 Business Rate charges usually increase annually in line with September Consumer Price Inflation (CPI) - 6.7% for September 23. This is achieved by increasing the Business Rate multiplier which is then multiplied with the rateable value of a property to determine the level of Business Rates to be paid to the Council.
- 5.13 For several years now the business rates multiplier has been frozen to minimise the impact of business rate increases on businesses during and since Covid-19. The Government has compensated the Council for loss of income by way of additional Section 31 grant.
- 5.14 In November's Autumn Statement it was announced that the 2024/25 business rates multiplier will be frozen again for small businesses at 49.9p, but the standard multiplier, which is used for other businesses, will increase in line with CPI. Whilst financially it should not affect the income that the Council receives as any changes will be reflected in the level of compensation grant received, it will be difficult to administer in the first instance due to changes being required to the BR software. The government has promised New Burdens funding to cover additional costs.

Business Rates Reset

- 5.15 The Business Rate Reset will see the national redistribution of business rates so that any retained growth (since 2013/14) will be consumed into the national pot for redistribution. It is expected that Tamworth BC will lose significant growth.
- 5.16 These reforms were originally due to be in place by 2019/20 but have been deferred several times. The Draft Budget report presented to Cabinet on 30 November 23 assumed the reforms would come into place in 2025/26 but indications following the 2024/25 Draft Local Government Finance Settlement (published on 5 December 23) are that it is not going to be before 2026/27. This means that the Council will be able to retain its business rate growth for an additional year. However, the uncertainty continues and the Council still faces losing this growth in the future and needs to plan accordingly.

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

Table 8 Business Rate Income Forecast

BASE BUDGET	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£	£
Base Budget Forecast (November 2023)						
Retained Business Rates	13,581,271	15,104,982	15,407,081	15,715,223	16,029,527	16,350,118
Less: Tariff payable	-	-	-	-	-	-
	10,686,850	10,909,136	12,881,072	13,138,694	13,401,467	13,669,497
Total	2,894,421	4,195,846	2,526,009	2,576,529	2,628,060	2,680,621
MTFS Forecast						
Retained Business Rates	13,581,271	14,264,548	15,407,081	15,715,223	16,029,527	16,350,118
Less: Tariff payable	-	-	-	-	-	-
	10,686,850	11,172,962	12,361,073	13,138,694	13,401,467	13,669,497
Total	2,894,421	3,091,586	3,046,008	2,576,529	2,628,060	2,680,621

5.18 The reduction in 2024/25 estimates are due to an increase in the collection fund deficit from 2023/24 due to an increase in the allowance for revaluation appeals.

5.19 There are still significant uncertainties around future Business Rate funding - specifically the treatment of:

- Forecast levels of growth / contraction in business rates – including the level of void properties and unpaid business rates;
- The estimated level of mandatory and discretionary reliefs;
- The estimated level of refunds of Business Rates following the Appeal process – especially following the planned changes in rateable values arising from the Business Rates Revaluation from April 2023;
- 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.

Specific Grants

5.20 Specific Grants received by Tamworth BC are detailed below:

- **Increased:** New Homes Bonus (NHB) - £503k. NHB is a grant paid to local councils to reflect and incentivise housing growth in their areas. The future of NHB has been very uncertain and it was expected that 2023/24 might be the last year that it was paid. However, further grant has been released for 2024/25 with an amended distribution formula which has seen Tamworth's grant increase from £347k to £503k. It is not certain whether the grant will be extended beyond 2024/25 and no income has been assumed for 2025/26 onwards.
- **Reduced:** Services Grant - This grant has been reduced from £95k to £16k. This reduction is due to the national pot being reduced to cover increases in other grants. The methodology for the grant remains unchanged.
- **Reduced:** Minimum Funding Guarantee – from £636k in 2023/24 to £540k in the provisional local government funding settlement in December, but was increased to £626k for 2024/25 in the final local government funding settlement announced on 5 February 24. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 4% (before assumptions on council tax rate increases).

Extended Producer Responsibility funding

- 5.21 Local authorities were expecting to receive additional income from the Extended Producer Responsibility for packaging (EPR) scheme for 2024/25. The scheme would also require the submission of data relevant to their waste collection services. The scheme has been delayed and it is too early to know the impact for the Council as the Government still plan to review and identify the position on funding for lower tier authorities particularly given the possible interactions with the EPR scheme. No funding has been built into future year's budgets at this point.

Council Tax

- 5.22 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 the principles determined by the Secretary of State and agreed by the House of Commons.
- 5.23 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 £500k.

- 5.24 Last year's medium term financial strategy assumed ongoing increases of £5 per annum from 2024/25. The final Funding Settlement is that the 'capping' threshold for District Councils will remain the higher of £5 or 3%.
- 5.25 The Council Tax Base of 23,479 was approved by Cabinet on 14 December 2023.
- 5.26 The draft Budget and Medium Term Financial Strategy is based on a council tax increase of 2.95% (£5.81) for 2024/25 followed by increases at 2.95% thereafter.
- 5.27 Each £1 increase in the band D Council Tax raises approximately £23k per annum. For each 1% increase in Council Tax, the Council will receive £47k in additional income per annum.
- 5.28 The impact of a 2.95% increase in Council Tax on current levels is shown in Table 9 below.

Table 9 – Impact of 2.95% increase in Council Tax

Council Tax Band	2023/24 £	2024/25 £	Increase £	Increase per week £
A	131.26	135.13	3.87	0.07
B	153.14	157.66	4.52	0.09
C	175.01	180.18	5.17	0.10
D	196.89	202.70	5.81	0.11
E	240.64	247.74	7.10	0.14
F	284.40	292.79	8.39	0.16
G	328.15	337.83	9.68	0.19
H	393.78	405.40	11.62	0.22

- 5.29 The expected Council Tax levels for each band, including expected charges from other preceptors, is detailed in Appendix H.

SECTION 6 - OUTLOOK FOR 2024/25 TO 2027/28

- 6.1 The Council is required to set the Council Tax precept at its meeting on 27 February 2024. Given the referendum limit identified in the provisional finance settlement is the highest of £5 or 3%, the options considered in this report have been reduced to a nil increase, £5 and 2.95%. The impact on Council Tax Band D levels are shown in Table 10 below.

Table 10 – Council Tax Options Analysis

	Amount £	Increase £	Additional Income £'000
Current Band D Council Tax	196.89		
£5 Increase	202.89	5.00	117
2.95% Increase	202.70	5.81	136
Zero increase	196.89	0.00	0

6.2 The impact of the different options on the budget deficit position is considered in the tables below.

Table 11: Option 1 – 2.95% (£5.81) increase in Council Tax 2024/25 to 2028/29

Year:	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast:	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
RSG	(322)	(328)	(335)	(342)	(349)
Business Rates net income	(1,940)	(3,046)	(2,577)	(2,628)	(2,681)
Council Tax	(4,786)	(4,968)	(5,157)	(5,353)	(5,555)
Surplus (-) /Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645
£ Increase	5.81	5.98	6.16	6.34	6.52
% Increase	2.95%	2.95%	2.95%	2.95%	2.95%
Note: Resulting Band D Council Tax	202.70	208.68	214.84	221.18	227.70

6.3 If a 2.95% council tax increase is approved in 2024/25, there would be a deficit of £1.1m in 2024/25, £3.3m in 2025/26 and £4.7m in 2026/27. In the short term, these can be met from General fund reserves whilst leaving balances of £1.2m at the end of 2026/27 which is above minimum approved level of £500k. However, it should be noted that expenditure at this level is unsustainable in the long term with £8.6m needing to be saved by the end of 2028/29. A Sustainability Strategy needs to be developed in the medium term to ensure the long term viability of the Council.

Table 12: Option 2 – £5 increase in Council Tax 2024/25 to 2028/29

Year:	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast:	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
RSG	(322)	(328)	(335)	(342)	(349)
Business Rates net income	(1,940)	(3,046)	(2,577)	(2,628)	(2,681)
Council Tax	(4,767)	(4,926)	(5,087)	(5,250)	(5,414)
Surplus (-) /Deficit	1,154	3,305	4,797	4,925	5,161
Balances Remaining (-) / Overdrawn	(9,166)	(5,862)	(1,065)	3,860	9,022
£ Increase	5.00	5.00	5.00	5.00	5.00
% Increase	2.48%	2.42%	2.36%	2.31%	2.25%
Note: Resulting Band D Council Tax	201.89	206.89	211.89	216.89	221.89

6.4 If a £5 council tax increase is approved in 2024/25, there would be a deficit of £1.2m in 2024/25, £3.3m in 2025/26 and £4.8m in 2026/27. These can be met from General Fund reserves until the end of 2026/27 whilst leaving £1.1m in balances which is above the minimum approved level of balances (£500k) at the end of the three year term. However, it should be noted that expenditure at this level remains unsustainable in the long term with £9.0m needing to be saved by the end of 2028/29. A Sustainability Strategy would still need to be developed in the medium term to ensure the long term viability of the Council.

Table 13: Option 3 – Nil increase in Council Tax 2024/25 to 2028/29

Year:	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast:	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
RSG	(322)	(328)	(335)	(342)	(349)
Business Rates net income	(1,940)	(3,046)	(2,577)	(2,628)	(2,681)
Council Tax	(4,650)	(4,689)	(4,729)	(4,768)	(4,807)
Surplus (-) /Deficit	1,271	3,541	5,155	5,406	5,768
Balances Remaining (-) / Overdrawn	(9,049)	(5,507)	(352)	5,054	10,822
£ Increase	0.00	0.00	0.00	0.00	0.00
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%
Note: Resulting Band D Council Tax	196.89	196.89	196.89	196.89	196.89

- 6.5 If no Council Tax increase is approved in 2024/25, there would be a deficit of £1.3m in 2024/25, £3.5m in 2025/26 and £5.2m in 2026/27. Existing General Fund reserves would be insufficient to cover deficit levels beyond 2025/26 as balances would fall below the minimum approved level of balances (£500k). Major cuts to services would need to be considered as part of a Sustainability Strategy to ensure the long term viability of the Council due to the expected shortfall in funding being in excess of £10.8m by 2028/29.
- 6.6 Each £1 increase in the band D Council Tax would raise approximately £23k per annum. For each 1% increase in Council Tax, the Council will receive £47k in additional income per annum.
- 6.7 It should be noted that Tamworth Borough Council, as the billing authority, also collect Council Tax on behalf of the County Council, Office of the Police and Crime Commissioner (OPCC) and Fire & Rescue who are due to finalise their budgets for 2024/25 during February 2023. Indications of the potential impact of the Borough Council Tax proposals is shown for each Council Tax Band in Appendix H.

Sensitivity Analysis

- 6.8 A review has been undertaken regarding the sensitivity of the factors within the forecasts, pay award & inflation, interest rate movements together with changes in Government Grant support. Details can be found in Appendix I and a summary is shown in the table below:

Table 14: Sensitivity analysis of assumptions underlying the budget.

Effect of x% movement:	% + / -	Impact over 1 year +/- £'000	Impact over 3 years +/- £'000	Impact over 5 years + / - £'000	Risk
Pay Award / National Insurance (GF)	1.0%	215	988	1,552	H
Pension Costs	1.0%	-	154	465	L
Council Tax	0.5%	19	139	243	L
Inflation / CPI	1.0%	279	566	1,144	H
Government Grant (inc NHB)	1.0%	116	345	504	L
Investment Interest	1.0%	487	1,834	2,700	H
Key Income Streams	10%	342	1,565	2,455	H
Business Rates	1.0%	278	1,301	2,051	H

7 GENERAL FUND SUMMARY AND CONCLUSIONS

- 7.1 The budget proposals reflect the need to compensate for reduced income levels arising from the uncertain political and economic conditions and potential medium term significant reductions in Government funding. This is set against 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.
- 7.2 The increase in Council Tax is limited to the highest of £5 or 3% in order to avoid the need to hold a referendum. Three options for increasing Council Tax have been considered: zero, £5 and 2.95%. The results are summarised in Table 15 below.

Table 15 – Comparison of different Council Tax Options

Year:	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast:	£'000	£'000	£'000	£'000	£'000
£2.95% increase in Council Tax					
Surplus (-) /Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645
£5 increase in Council Tax					
Surplus (-) /Deficit	1,154	3,305	4,797	4,925	5,161
Balances Remaining (-) / Overdrawn	(9,166)	(5,862)	(1,065)	3,860	9,022
Zero increase in Council Tax					
Surplus (-) /Deficit	1,271	3,541	5,155	5,406	5,768
Balances Remaining (-) / Overdrawn	(9,049)	(5,507)	(352)	5,054	10,822

- 7.3 All options leave the Council in a deficit position in 2024/25 and beyond which is unsustainable in the long term.
- 7.4 Existing General Fund reserves (which need to remain above £500K) would be insufficient to cover deficit levels beyond 2025/26 if Council Tax is not increased at all.
- 7.5 Increases of either £5 or 2.95% will ensure that there are sufficient General Fund reserves to cover the deficit and leave the required minimum level (£500k) over the 3 year period to 2026/27. However, for either option, there remains a significant ongoing deficit. Savings exceeding £5m per year are required from 2028/29 in order to balance the budget.

- 7.6 The development of a Sustainability Strategy is required in order to avoid significant financial cuts in future years.
- 7.7 A General Fund five year revenue budget summary assuming a 2.95% increase in Council Tax is shown in Appendix G and summarised in Table 16 below.
- 7.8 Using the funding forecast and assuming increases in Council Tax of 2.95% per annum for 2024/25 onwards, the five year base budget forecast is as follows:

Table 16 – 5 Year Base Budget forecast assuming 2.95% increase in Council Tax

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	8,183	11,605	12,795	13,144	13,605
Financing:					
RSG	(322)	(328)	(335)	(342)	(349)
Collection Fund (Surplus) / deficit Council Tax	(27)	(27)	(27)	(27)	(27)
Collection Fund (Surplus) / deficit Business Rates	1,152	-	-	-	-
Business Rates Tariff	11,173	12,361	13,139	13,401	13,669
Business Rates net income	(14,265)	(15,407)	(15,715)	(16,030)	(16,350)
Council Tax	(4,759)	(4,941)	(5,130)	(5,326)	(5,528)
Gross Financing	(7,048)	(8,343)	(8,069)	(8,323)	(8,585)
(Surplus) / Deficit	1,135	3,262	4,726	4,822	5,020
Balances Remaining (-) / Overdrawn	(9,185)	(5,923)	(1,197)	3,625	8,645

8 HOUSING REVENUE ACCOUNT

HRA Technical Adjustments

- 8.1 Revisions / updates have been made to the 2023/24 base budget in order to produce an adjusted base for 2024/25 and forecast base for 2025/26 onwards. These changes, known as technical adjustments, have been informed by feedback from budget managers and calculated to take account of:

- The assumed increase in rent of 7.7% in line with the latest rent standard guidance.
- 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.
- The 'Zero base budgeting' review of income levels.

8.2 The technical adjustments reported to Cabinet on 30 November 23 have been updated to reflect internal recharges to/from the HRA and inflation on agreed policy changes. Any other changes have been incorporated into the Policy Changes. The revised technical adjustments are detailed in Table 17 below.

Table 17 – Housing Revenue Account Technical Adjustments Summary

Technical Adjustments	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Base Budget B/Fwd	823	(1,351)	(1,313)	(1,575)	(1,817)
Committee Decisions	87	(74)	97	49	0
Inflation	253	191	195	235	242
Other	(2,582)	(254)	(654)	(620)	(599)
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	104	175	100	94	90
Revised charges for HRA fund activities / Capital	(36)	0	0	0	0
Virements	0	0	0	0	0
Total / Revised Base Budget	(1,351)	(1,313)	(1,575)	(1,817)	(2,084)

Policy Changes

8.3 Updates to the 2023/24 budgets have been made to reflect changes in policy or developments. There has been one Policy Change in the HRA since the draft MTFs considered by Budget Scrutiny Committee on 31 January 24 which relates to the revenue impact of the capital programme (£28k). A full list of Policy Changes is attached at Appendix F. There is only one Policy Change in excess of £50k which related to the realignment of salary budgets following the latest pay awards (£87k in 2024/25).

- 8.4 It should be noted that the Policy Changes do not reflect the anticipated cost pressures for the HRA capital programme arising from the ongoing work in updating the 30 year HRA business plan. Early indications from the modelling are a potential shortfall over 30 years of £35m plus a significant and unsustainable increase in HRA debt levels arising from the capital programme pressures (of over £387m over 30 years).

Rent Setting Policy

- 8.5 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.
- 8.6 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.
- 8.7 For 2024/25 (and in the medium term), should rents be set in line with the approved policy including a general increase of the consumer price index (CPI) measure of inflation of plus 1% - this would equate to a 7.7% increase (followed by forecast increases of 3% p.a.), due to the increased cost pressures currently being experienced. The 2023/24 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 6.7% (September 2023), the forecast increase for 2024/25 will be 7.7% 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).
- 8.8 Assuming increases in Rent capped CPI+1% (7.7%) allowed by the Government's recent rent setting guidance, the proposals will mean that balances will remain above the approved minimum level of £0.5m over the five year period.

Table 18 Impact on HRA Balances after Policy Changes

<i>figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2023/24 £	Budget 2024/25 £	Budget 2025/26 £	Budget 2026/27 £	Budget 2027/28 £	Budget 2028/29 £
HOUSING REVENUE ACCOUNT						
HRA Summary	(4,620,760)	(6,218,000)	(6,201,910)	(6,566,060)	(6,916,950)	(7,305,750)
ED Communities	28,060	28,960	31,300	33,850	36,490	39,150
AD Operations & Leisure	268,240	297,270	301,120	304,720	308,420	312,240
AD Operations & Leisure	391,100	419,370	430,050	441,000	450,790	460,080
AD Assets	283,660	223,510	216,270	249,200	280,230	310,310
AD Neighbourhoods	4,473,180	4,195,090	4,072,150	4,145,780	4,225,480	4,303,240
Housing Repairs	0	0	0	0	0	0
GRAND TOTAL	823,480	(1,053,800)	(1,151,020)	(1,391,510)	(1,615,540)	(1,880,730)
Balances B/Fwd	(2,762,484)	(2,531,484)	(3,585,284)	(4,736,304)	(6,127,814)	(7,743,354)
Balances C/Fwd	(2,531,484)	(3,585,284)	(4,736,304)	(6,127,814)	(7,743,354)	(9,624,084)

8.9 Table 17 shows that Housing Revenue Account (HRA) balances are expected to be £6.1m at the end of 2026/27. Whilst these balances would appear to be significant, they are required to build up reserves in order to meet the long term costs of the capital programme included in the 30 year HRA business plan (see section 8.5).

8.10 A detailed breakdown of the HRA budgeted income and expenditure account is attached at Appendix J.

Other Options Considered

8.11 The impact of 2 further options for setting rent at CPI and no increase have been modelled and the impact is detailed in the table below for information.

Table 19 impact of alternative rent setting models

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2026/27 £	2027/28 £
Option 1: CPI + 1%						
Rent (52 Weeks)	92.13	99.23	102.20	105.27	108.43	111.68
Rent (48 Weeks)	99.81	107.50	110.72	114.04	117.46	120.99
% Increase	7%	7.7%	3.0%	3.0%	3.0%	3.0%
	-	-	-	-	-	-
		5 year impact				0
Option 2: CPI						
Rent (52 Weeks)	92.13	98.31	100.27	102.28	104.32	106.41
Rent (48 Weeks)	99.81	106.50	108.63	110.80	113.02	115.28
% Increase		0.067	0.02	0.02	0.02	0.02
Reduced Rent compared to Option 1		213,950	438,230	676,830	925,760	1,185,330
		5 year impact				3,440,100
Option 3: No increase						
Rent (52 Weeks)	92.13	92.13	92.13	92.13	92.13	92.13
Rent (48 Weeks)	99.81	99.81	99.81	99.81	99.81	99.81
% Increase		0.0%	0.0%	0.0%	0.0%	0.0%
Reduced Rent compared to Option 1		1,681,550	2,284,330	2,971,150	3,674,690	4,395,380
		5 year impact				15,007,100
Inflation at CPI + 1%		7.7%	3.0%	3.0%	3.0%	3.0%

8.12 Table 18 shows that the 5 year impact of increasing by CPI rather than CPI + 1% is £3.4m. If no rent increase were applied, the 5 year impact would be £15m. Either of these options would have a significant impact on the long term funding of the HRA account leaving it with a significant funding deficit. This would require significant cuts, most likely in the capital programme which would affect the ability to maintain the current standard of housing stock.

CORPORATE CAPITAL STRATEGY

1 INTRODUCTION

- 1.1 This Capital Strategy is a key corporate document that outlines how the Council intends to optimise the use of available capital resources to help achieve its objectives. Capital expenditure is a major cost to the Council and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated and prioritised.
- 1.2 The Strategy sits alongside the Medium Term Financial Strategy (MTFS), Asset Management Plan and HRA business plan. 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.
- 1.3 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).

Summary Capital Investment Plan

- 1.4 The draft General Fund capital programme will require borrowing of £1.4m over the next 5 years subject to the exploration and availability of alternative funding.
- 1.5 Key Schemes include:
- Disabled Facilities Grants, £650k p.a. (including £547k p.a. BCF grant);
 - Balancing Ponds, £700k;
 - Refurbishment of Anker Valley changing rooms of £100k;
 - Capital repairs programme at the Castle £250k
 - Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
 - Street lighting, £171k;
 - Technology upgrades including replacement hardware £300k; and system upgrades/renewals £245k
 - Play area refurbishment, £200k;
 - CCTV upgrades, £137k.
- 1.6 The draft HRA capital programme will require borrowing of £2.8m over the next 5 years subject to the exploration and availability of alternative funding.
- 1.7 Key HRA Schemes include:
- HRA Business plan works to dwellings, £23.1m;
 - Neighbourhoods £1.0m;
 - Disabled Facilities Adaptations £3.5m;
 - High Rise works £3.89m;

- Retained Garage Sites, £930k;
- Regeneration & Affordable Housing, £7.25m;
- Fire Risk mitigation works, £300k;
- Damp & Mould works, £500k;
- Decarbonisation works to achieve Zero Carbon, £3.0m.

Impact on Medium Term Financial Plan

- 1.8 The General Fund capital programme will require unsupported borrowing of £1.4m 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.
- 1.9 Should the draft HRA capital programme proceed without amendment, there will be a significant funding gap for the HRA capital programme, requiring unsupported borrowing of £2.8m. 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 £69.981m with planned borrowing in 2023/24 of £1.159m. However it should be noted that the additional borrowing associated with unsupported costs will mean higher debt interest costs for the HRA.

Summary of Risk Assessment

- 1.10 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

- 2.1 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.
- 2.2 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.

2.3 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.

2.4 The Strategy is supported by the leadership of the Council, including the Chief Executive and the Leader of the Council. The CIPFA Prudential Code 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 several 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 the potential for increased costs due to the impact of inflationary pressures in the current economic climate; 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 in the region of £51.5m 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.

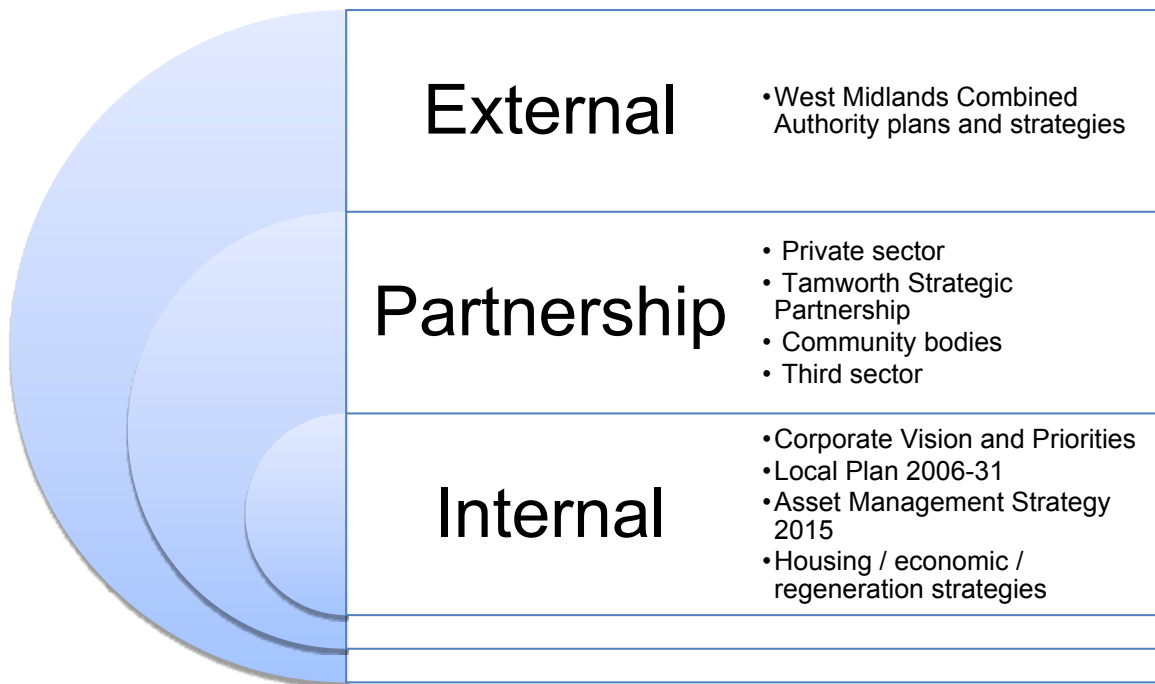
The strategy articulates a wide range of new and existing activities. This includes regeneration ambitions, new infrastructure and significant investment in Housing as well as smaller schemes. The strategy also leaves space for consideration of new income streams that fit with our ambitions as a Council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

Background

- 2.5 The Council has an ongoing capital programme of over £44m for 2023/24 and an asset base valued at £300m (as at 31st March 2023).
- 2.6 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.
- 2.7 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.
- 2.8 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

- 2.9 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.



2.10 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.

2.11 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

2.12 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.

2.13 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.

- 2.14 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.
- 2.15 The current de-minimis for capital expenditure is £10k per capital scheme.
- 2.16 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.
- 2.17 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).
- 2.18 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.
- 2.19 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.

- 2.20 It was previously recognised 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. Consideration of service units' capital requirements should now form part of the business planning process. The capital appraisal process and associated documentation has been reviewed and updated to ensure proper consideration is given to whole life costs of scheme. Further work is needed 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

- 2.21 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.
- 2.22 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.
- 2.23 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.
- 2.24 As part of the approved Strategy, 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 meet on a Quarterly basis to scrutinise the completed post implementation reports and review the management and monitoring of the capital programme with appropriate feedback and challenge – identifying improvements to the future management of the capital programme.

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

[Financial guidance | Infozone \(tamworth.gov.uk\)](#)

Review of Asset Management Plan

2.26 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.

2.27 During 2021/22, the Council contracted Michael Dyson Associates to undertake a review of our Corporate Asset Management Strategy, which had previously been updated in 2015, in order to identify potential areas for improvement. Their subsequent report found that we had a robust asset management strategy in place in 2015 with a relatively small number of improvements required to meet the general conditions of good practice as outlined by CIPFA. The main areas identified for improvement were evidence based policies and procedures to underwrite a new asset management strategy. As a result, an overarching draft asset strategy, draft acquisitions policy, draft disposals policy, and draft asset management plan were considered by Corporate Scrutiny Committee in December 2022. These are currently being developed following feedback and will be presented to Cabinet for approval in due course.

2.28 The draft Corporate Asset Management Strategy identifies the following non-Housing assets:

Asset Description	Value (31/03/22)
Heritage & Leisure	£3.7m
Land and Buildings	£23.5m
Total	£27.2m

2.29 The updated survey carried out by Michael Dyson Associates during 2021 determined 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).

2.30 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.

- 2.31 Significant work has been undertaken in this area in order to deliver a robust capital strategy, and the following action is to be completed by March 2024:-

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

- 2.32 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.
- 2.33 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.
- 2.34 The current draft Asset Management strategy identifies HRA housing stock and garages with a value of £243m as at 31st March 2023. The latest stock condition survey report received from Michael Dyson Associates as at April 2019 surveyed 850 properties and identified overall planned maintenance costs over the 30 year period of £27.5m, equating to an average of £32k per surveyed property. When this was extrapolated across the entire housing stock, the planned maintenance profile increased to a total estimated cost of £128m over the 30 year period.
- 2.35 The 30 year HRA business plan is currently under review following the decision by the Government to cap social housing rent increases at 7% for 2023/24, and in light of the net zero/carbon reduction agenda which would require significant capital spend on the housing stock. The latest modelling indicates a potential shortfall over 30 years of £37m plus a significant and unsustainable increase in HRA debt levels arising from the capital programme pressures (of over £387m over 30 years).
- 2.36 This deterioration in the long term financial position for the HRA is common across other local authorities and has been caused by a combination of:
- High levels of inflation. This has particularly impacted on building costs, which have risen by more than the recent high rates of general inflation.
 - Inclusion in the projected capital programme of significant levels of additional investment in decarbonisation works. These add £113m (plus inflation) to the investment requirement over 30 years.

- The government imposed a 7% cap on rent increases for existing tenants in 2023/24, which was less than would have been permitted if it had continued with its previously stated policy (CPI +1%). This meant that rents increased by less than the authority's costs in 2023/24, placing additional pressure on HRA balances
- Expectations for the interest rates chargeable on new borrowing have increased.

2.37 The baseline shows the HRA to be financially sustainable and affordable over the medium term. However, underlying cost pressures and a reliance on borrowing to deliver the capital programme cause the HRA to become unaffordable over the long term. The Council needs to take corrective action over the medium term to correct this situation and secure an HRA that is able to manage and maintain the existing housing stock sustainably over the long term.

2.38 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.

DEBT AND BORROWING AND TREASURY MANAGEMENT

2.39 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 2024/25.

Capital Funding Streams

2.40 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).

2.41 **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 (which part-funded the Assembly Rooms project).

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

2.43 **Capital Receipts** – the Council is able to generate capital receipts through the sale of surplus assets such as land and buildings and has 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.

- 2.44 **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.
- 2.45 **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.
- 2.46 **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

- 2.47 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:-

[Risk Management | Infozone \(tamworth.gov.uk\)](http://tamworth.gov.uk/Infozone/RiskManagement)

Risk Appetite

- 2.48 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.
- 2.49 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

- 2.50 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.

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

Group /Individual	Role
Corporate Management Team	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • To provide strategic direction with regard to risk management.
Directors / Assistant Directors	<ul style="list-style-type: none"> • To provide leadership for the process of managing risks. • 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	<ul style="list-style-type: none"> • 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 a quarterly 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.

2.52 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.

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

COMMERCIAL ACTIVITY

2.54 The Council's Commercial Investment Strategy set out a number of alternative investment options to generate improved returns of around 4% 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.

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

2.56 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.

2.57 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

2.58 As part of the Capital Programme, the Council has since 2018/19 invested 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.

2.59 To date, the Council has invested £1.85m with Schrodgers UK Real Estate Fund, £6.057m with Threadneedle Property Unit Trust, and £4.057m with Hermes Federated Property Unit Trust, total investment £11.962m. Although the capital values of the funds did initially fall, mainly since 31st March 2020, they then recovered and as at 31st March 2022 there was an overall gain of

£1.32m. However, since then capital values have fallen again, and as at 30th September the valuation stands at £10.62m, with an overall loss of £1.35m. 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 31/03/2019	Valuation 31/03/2020	Valuation 31/03/2021	Valuation 31/03/2022	Valuation 31/03/2023	Valuation 30/09/2023
Schroders UK Real Estate Fund	1,848,933	1,897,716	1,884,412	1,848,933	2,139,618	1,727,176	1,638,076
Valuation Increase / (reduction)		48,783	(13,305)	(35,479)	290,685	(412,442)	(32,656)
Threadneedle Property Unit Trust	2,000,249	1,921,884	1,836,032	1,794,439	2,097,097	1,732,373	1,727,499
Valuation Increase / (reduction)		(78,365)	(85,852)	(41,594)	302,658	(364,724)	(7,604)
Threadneedle Property Unit Trust	4,056,536	-	-	-	4,407,163	3,640,676	3,630,433
Valuation Increase / (reduction)					350,627	(766,487)	(15,980)
Hermes Federated Property Unit Trust	4,056,500	-	-	-	4,450,808	3,741,712	3,620,146
Valuation Increase / (reduction)					394,308	(709,096)	(119,174)
Total	11,962,218	3,819,601	3,720,444	3,643,372	13,094,687	10,841,937	10,616,154
Valuation Increase / (reduction)		(29,581)	(99,156)	(77,072)	1,338,279	(2,252,750)	(175,414)

2.60 The following table details the dividend returns achieved from the property fund investments, which support the revenue budget. The Council received £458k in dividends from its property fund investments in 2022/23 (£269k in 2021/22), and has received £214k for the current financial year as at 30th September 2023 (Q2 returns not yet received in respect of Hermes).

Fund Valuations	Investment	Dividend Returns 31/03/2019	Dividend Returns 31/03/2020	Dividend Returns 31/03/2021	Dividend Returns 31/03/2022	Dividend Returns 31/03/2023	Dividend Returns 30/09/2023
Schroders UK Real Estate Fund	1,848,933	48,118	56,638	52,898	61,655	71,962	33,974
Threadneedle Property Unit Trust	2,000,249	60,056	90,274	75,452	79,231	83,373	46,086
Threadneedle Property Unit Trust	4,056,536	-	-	-	70,417	175,213	96,851
Hermes Federated Property Unit Trust	4,056,500	-	-	-	57,352	127,182	36,671
Total		108,174	146,911	128,350	268,655	457,730	213,582
Annual Revenue % Return		2.8%	3.8%	3.3%	2.2%	4.2%	4.7%

2.61 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.

2.62 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 funds. With regard to the growth (or contraction) in the overall asset value – during the past 12 months there has been significant volatility within financial markets due to the tumultuous geopolitical and macroeconomic events, such as the Truss Government’s mini-budget and resultant gilts crisis and market correction (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 £1.12m is also available to mitigate any losses.

Regeneration of Town Centre and Purchase of Gungate site

2.63 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 £4million capital

budget financed from capital receipts from the sale of the Golf Course. Following the purchase of this site, the Council is now in receipt of an additional income stream in respect of the area leased to NCP.

- 2.64 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.
- 2.65 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 master planning 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.
- 2.66 The Council worked 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. This resulted in the development of a masterplan for the Gungate North site and following the Government announcement of a further round of bidding for funds under their Levelling Up Fund Round 2 programme, a business case and bid was submitted for a scheme to regenerate the Gungate North site. The scheme comprised a high quality, net zero, sustainable office development, a convenience store, multi-storey car park and a college facility for students with high support needs. The bid for Government Levelling Up Funds was for £19.7m, with £6.3m Council funding, of which £4m is re-purposed from the Solway capital allocation, and including £1.4m expected capital receipt from the sale of land at Solway Close. Unfortunately, we were not successful in our bid for Levelling Up Funds, although work is progressing to conclude land ownership and assembly in order to mobilise the Gungate regeneration project, as approved by Council in July 2023.
- 2.67 With regard to the Gungate South site, discussions held with Homes England to assist the Borough Council in unlocking the potential of regeneration sites across the town resulted in a Heads of Terms signed off by Cabinet on the 30th September 2023. Homes England awarded the Council £100k to develop an investment strategy for potential housing sites within the borough, and liaison is continuing with them.

Future High Streets Fund

- 2.68 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.
- 2.69 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.
- 2.70 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.
- 2.71 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.
- 2.72 There are three main schemes of work now underway under the Future High Street Fund projects – Castle Gateway; Middle Entry and College Quarter. The Castle Gateway scheme includes work to redevelop empty shop units; demolish an unsightly building enabling the opening up of the Castle bridge and public realm landscaping. The Middle Entry project comprises the redevelopment of shop units into a flexible space with associated public realm works. The College Quarter involves the demolition of part of the Co-Op building and construction of a new college on the site, with the remaining building being redeveloped into an Enterprise Centre.

2.73 Each of the projects is currently progressing well, with Speller Metcalfe appointed to deliver the programme following a procurement process earlier in the year. As the design process progresses, the scope of works are further refined which gives a more accurate picture of the costs associated with delivering the programme. Construction costs are higher than expected due to inflation and the increased cost of materials, and the continued review of the cost plan and input from contractors has meant that projected costs associated with the works are now being more accurately determined. However, despite additional UKSPF, CIL and S106 funds being allocated to the programme, and the significant contingency funds earmarked to mitigate risks associated with the works, it is likely to be necessary to request the release of further funds from the retained Golf Course capital receipts to complete the Programme, subject to Council approval.

Commercial and Industrial Property

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

INVESTMENT	VALUATION @ 31/03/22 £	ESTIMATED INCOME 2022/23 £	RETURN %	VALUATION @ 31/03/23 £	ESTIMATED INCOME 2023/24 £	RETURN %
Amington Industrial Estate (ground rents)	7,460,000	302,720	4.06	7,132,000	302,720	4.24
Lichfield Industrial Estate (ground rents plus 1 leased plot)	3,541,000	135,200	3.82	3,541,000	135,200	3.82
Local Centre Shops	2,479,500	233,191	9.4	2,363,500	236,153	9.99
Misc Corporate Property	17,655,450	1,192,155	6.75	15,215,444	1,189,030	7.81
Sandy Way Industrial Units	3,835,400	300,225	7.83	3,790,500	301,116	7.94
Tamworth Business Centre	1,313,000	129,657	9.87	1,227,000	125,206	10.20
Town Centre Shops	1,787,602	137,732	7.7	1,697,502	133,132	7.84
Total	38,071,952	2,430,880	6.38	34,966,946	2,422,558	6.93

2.75 A survey was 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).

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

- 2.76 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.
- 2.77 The Council also has a Building Repairs Fund of c.£400k p.a. which should be included in the planned approach to asset management.
- 2.78 A revised draft Asset Management Strategy, Asset Management Plan, and updated draft acquisitions and disposals policies were developed and reported to Corporate Scrutiny during 2023/24. These are currently being revised following feedback, and it is planned to bring these to Cabinet for consideration by year end. A risk register around corporate asset management has been developed during the year. Informed by the results of the stock condition survey, further actions are planned as follows :-
- 1) **An Asset Management Plan for each property should be developed, including an asset viability model (DCF analysis), identifying demand, costs and income generated for each group of assets. The Asset Strategy Steering Group should receive the results of the viability modelling, and regular reports monitoring the performance of commercial property in order to 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.

- 2) 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

- 2.79 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.
- 2.80 Training for Members with regard to treasury management is undertaken on a regular basis, most recently in February 2023. In February 2018, there was also a presentation to Members from Link Asset Services with regard to our investments in property funds.
- 2.81 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.
- 2.82 The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc.
- 2.83 The Council also procures expert advice and assistance such as financial and legal advice as and when required.

CAPITAL PROGRAMME 2024/25 – 2028/29

Following a review of the Capital Programme approved by Council on 28th February 2023, 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, **£250k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2024/25 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	
1)	Replacement TEC Roof <i>Project score 48</i>
	A new scheme has been proposed to replace the roof at the TEC £63.3k
2)	EDM System Upgrade/Replacement <i>Project Score 12</i>
	New scheme proposed in line with the approved ICT Strategy and Cloud first approach to ICT Service provision and in order to continue to benefit from on-going development of the EDM system and maintain flexible access to core systems, a migration from our existing legacy W2 system to the W3 cloud based EDM system or an alternative offering the required functionality is necessary - £149.95k.
3)	CRM & Customer Portal <i>Project Score 12</i>
	New scheme proposed to leverage newer technology and benefit from continued development, expedite our digital transformation, deliver efficiencies and automation between front and back office and offer a modern digital enabled customer experience, a replacement CRM and Customer portal system - £20k.
4)	Contact Centre/Teams Telephony <i>Project Score 12</i>

New scheme proposed in line with our approved ICT Strategy, digital transformation aspirations to move more customer contact to digital channels to deliver efficiencies and to meet customer expectations for high-quality customer experiences across all contact channels and to also leverage new technology such as AI, a new omnichannel capable contact centre system is required. To compliment this, a move to Microsoft Teams Telephony will also be implemented to improve contact between employees and service areas and to further enhance the flexibility of the Council's workforce - £35k.

The provisional capital programme has been reviewed and includes the following schemes:

5) Capital Repairs Programme - Castle

Project Score: 9

Year 2 of total capital bid for £375k for completion of repair and maintenance works to the Scheduled Monument identified in Condition Report 2019 as urgent or required (desirable) within 10 years.

Year one design and prelims (£100k), year two capital works delivery (£250k). £25k originally requested in year 2 for an updated condition report no longer required as this is being met from current year revenue reserve. Project forms part of match funding for proposed grant application.

6) Capital works required to general fund assets

Project Score: 18

Year 2 costs in relation to the following schemes:

£100k Refurbishment of Anker Valley changing rooms to improve facility and address water storage/heating issues

£14.2k, Roofing and renewal of walkways to Ellerbeck & Caledonian shops – additional funds requested to meet inflationary increases.

7) Replacement of Open Space Assets

Project Score: 12

Year 2 £80k to Replace the existing wooden Snowdome footbridge. A recent structure inspection highlighted that the existing wooden footbridge near to the Snowdome will require replacement in the medium term.

8) Play Area Refurbishment

Project Score: 12

£50k p.a. years 2-5 - complete one play area refurbishment p.a.

9) Balancing ponds and sustainable drainage systems

Project Score: 63

£100k 2024/25, £300k 2025/26, £220k 2026/27 and £80k 2028/29

A 30 year rolling programme of works was approved for inclusion in the capital programme, with an annual spend required from 2023/24, for the 8 ponds at Stonydelph, Belgrave, Lakeside, Peelers Way.

The total cost of the programme over 30 years is £4.68m partially financed by existing reserves of £604k and annual revenue contributions totaling £1.92m, leaving a balance of £2.156m (from existing reserves/retained fund (£200k), Section 106 commuted sums (£404k) and ongoing annual revenue contributions (of £64k p.a.).

10) Technology Improvement/Replacement (Replacement PCs, Servers & Printers)

Project Score: 12

A rolling programme was approved for £70k in 2023/24 followed by £60k p.a. from 2024/25 to 2027/28 – a further £60k is requested for 2028/29. 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 authority's 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 council's network secure and available means continued investment is essential. It should be noted that corporate applications are excluded from this schedule of planned work.

11) Endpoint Protection and Web-Email Filter

Project Score: 60

A rolling programme was approved for £40k in 2022/23 followed by £40k every 3 years for Endpoint Protection (covering Anti Virus, Anti Malware and Encryption and the contract for Web and Email filtering). There is currently provision for £40k in 2025/26 however future requirements will be subject to confirmation as to whether we will be moving to a subscription model and incurring revenue rather than a capital cost.

12) Street Lighting

£120k in 2024/25 and £50.96k in 2025/26

A rolling programme was approved 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 costed programme has been submitted as a whole life cost document.

13) Disabled Facilities Grants (DFG)

£650k pa to 2028/29

The provisional programme included £650k p.a. part funded by redistributed Better Care Fund (BCF) grant of £547k.

14) Energy Efficiency Upgrades to Commercial & Industrial Units

£75k pa to 2028/29

A rolling programme with an annual spend of £75k was approved from 2017/18.

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.

15) CCTV Upgrades

£45.71k pa to 2026/27

Following approval of the Shared Service, Capital budgets of £45,714 p.a. have been included.

Housing

There have been some 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 2028/29.

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 £69.981m with planned borrowing in 2023/24 of £1.159m.

Housing Revenue Account

1) Council House Adaptations

Project Score 2

A new scheme has been proposed to increase the current budget for Disabled Facilities Adaptations to £700k pa from £250k pa.

2) HRA Capital Programmes

Project Score 48

New scheme for investment works in line with HRA business plan

High Rise Ventilation £1.7m 24/25 renewal to all 6 blocks compliance requirement.

Fire Door Replacement on low level blocks £404k pa yr1 - 5

Garage site renewals 10 sites in 24/25 £930k

Roofing Programme increase in funds £250k 24/25

A further allocation has been requested with regard to High Rise Structural works which have been identified following a structural survey of the blocks in the town centre, including rebuilding parapet walls and cappings, removal and/or replacement of brick slips, and strapping of brickwork and concrete to balcony areas. These works are expected to cost £600k pa from 2025/26 – 2027/28, subject to a detailed capital appraisal to be submitted.

The provisional capital programme has been reviewed – assumed continuing with amounts required in 2028/29:

Structural Works £200k pa to 2028/29

Bathroom Renewals £575k pa to 2028/29

Gas Central Heating Upgrades and Renewals £685.5k pa to 2028/29

Kitchen Renewals £700k pa to 2028/29

Roofing and renewal of walkways to Ellerbeck & Caledonian shops – £38k in 2024/25 only - additional funds requested to meet inflationary increases.

Major Roofing Overhaul & Renewals – updated appraisal received for additional funds in 2024/25, then £1.5m pa thereafter to 2028/29

Window & Door Renewals - £400k pa to 2028/29

Neighbourhood Regeneration - proposal for additional £60k in 24/25 for provision of parking spaces, then £200k pa to 2028/29

Rewire £100k pa to 2028/29

CO2/Smoke Detectors £64k pa to 2028/29

Fire Risk Mitigation Works £300k 2024/25 only

Damp and Mould works £100k pa to 2028/29

High Rise Refuse Chute Renewals £150k 2024/25 only

Works to Achieve Zero Carbon - £1m 2024/25 to 2026/27

Sheltered Lifts and Stairlift Renewals - £250k 2024/25 then £50k pa to 2028/29

Internal Flooring and Decoration at Eringden £90k 2024/25 only

Street Lighting - £180k 2024/25 and £76.44k 2025/26 - HRA share to continue in line with the approved 30 year programme .

Regeneration and Affordable Housing - £250k 2024/25, then £1.75m 2025/26 to 2028/29

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.	J Goodfellow	March 24
2	Following receipt of the updated Asset Management Strategy, an Asset Management Plan for each property should be developed, including an asset viability model, identifying demand, costs and income generated for each group of assets. The Asset Strategy Steering Group should receive the results of the viability modelling, and regular reports monitoring the performance of commercial property in order to 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.	P Weston/J Goodfellow/Asset Strategy Steering Group	Commenced October 2019 – report to Cabinet planned by March 24
3	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/ J Goodfellow	Commence October 2019 – to be completed March 24

CAPITAL STRATEGY RISK REGISTER

Corporate Capital Strategy Risk Register



Generated on: 03 January 2024

Current Risk Matrix



Severity


Code	Title	Assessment Code and Title	Trend	Status	Date Reviewed
CSRR1920_001	Risk of not identifying capital requirements	6 serious-unlikely	▬	▲	03-Jan-2024
CSRR1920_002	Risk of insufficient funds to meet capital needs, including impact of external financial pressures	12 serious - very likely	▬	●	03-Jan-2024
CSRR1920_003	Risk of inadequate resources to deliver capital programme	9 serious-likely	▬	▲	03-Jan-2024
CSRR1920_004	Risk of significant budget re-profiling/timescales slipping	6 significant-likely	▬	▲	03-Jan-2024
CSRR1920_005	Risk of significant overspends	9 serious-likely	▲	▲	03-Jan-2024
CSRR1920_006	Risk of investments (including property funds) under-performing and income falling	12 serious - very likely	▬	●	03-Jan-2024
CSRR1920_007	Risk of inadequate PIR/required outcomes of a capital scheme not achieved	2 minor-unlikely	▬	✓	03-Jan-2024
CSRR1920_008	Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatment	6 significant-likely	▬	▲	03-Jan-2024


Draft General Fund Capital Programme 2024/25 to 2027/28


General Fund Capital Programme	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	Total £
Capital Repairs Programme - Castle	250,000	-	-	-	-	250,000
Roofing Renewal at Tamworth TEC	63,340	-	-	-	-	63,340
Replacement PC's, Servers and Printers	60,000	60,000	60,000	60,000	60,000	300,000
Endpoint Protection and Web- Email Filter	-	40,000	-	-	-	40,000
Civica EDM System upgrade	149,950	-	-	-	-	149,950
CRM & Customer Portal	20,000	-	-	-	-	20,000
Contact Centre & Telephony	35,000	-	-	-	-	35,000
Street Lighting	120,000	50,960	-	-	-	170,960
Refurbishment of Play Areas	50,000	50,000	50,000	50,000	-	200,000
Balancing Ponds	100,000	300,000	220,000	-	80,000	700,000
Snowdome Footbridge	80,000	-	-	-	-	80,000
Refurbishment of Anker Valley changing rooms to improve facility and address water storage/heating issues.	100,000	-	-	-	-	100,000
GF Capital Salaries	45,000	45,000	45,000	45,000	45,000	225,000
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
Roofing and renewal of walkways to Caledonian shops	3,000	0	0	0	0	3,000
Roofing and renewal of walkways to Ellerbeck	11,200	-	-	-	-	11,200
CCTV Upgrades	45,710	45,710	45,710	-	-	137,130
Staffordshire 3 Memorial	10,000					10,000
Total General Fund Capital	1,868,200	1,316,670	1,145,710	880,000	910,000	6,120,580

Proposed Financing:	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	
Grants - Disabled Facilities	546,890	546,890	546,890	546,890	650,000	2,837,560
General Fund Capital Receipts	4,400	49,400	59,400	45,000	-	158,200
Golf Course Receipts	63,340	-	-	-	-	63,340
Sale of Council House Receipts	294,420	275,420	266,420	-	260,000	1,096,260
General Fund Capital Reserve	230,000	324,960	20,000	-	-	564,960
Unsupported Borrowing	729,150	120,000	253,000	288,110	-	1,390,260
Total	1,868,200	1,316,670	1,145,710	880,000	910,000	6,120,580


Key:

 Capital appraisal received with New Scheme for 2024/25 or adjusted figures supplied

 Figure agreed to previous years report or ongoing scheme assumed at same amount

 No appraisal received

 Confirmation still required


 Amended since Base Budget report


Draft Housing Revenue Account Capital Programme 2024/25 to 2028/29


<u>Housing Revenue Account Capital Programme</u>	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	TOTAL £
Structural Works	200,000	200,000	200,000	200,000	200,000	1,000,000
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	1,750,000	1,500,000	1,500,000	1,500,000	1,500,000	7,750,000
Window and Door Renewals	400,000	400,000	400,000	400,000	400,000	2,000,000
Neighbourhood Regeneration	260,000	200,000	200,000	200,000	200,000	1,060,000
Disabled Facilities Adaptations	250,000	250,000	250,000	250,000	250,000	1,250,000
Disabled Facilities Adaptations - ADDITIONAL FUNDING	450,000	450,000	450,000	450,000	450,000	2,250,000
Rewire	100,000	100,000	100,000	100,000	100,000	500,000
CO2 / Smoke Detectors	64,000	64,000	64,000	64,000	64,000	320,000
Roofing and renewal of walkways to Caledonian shops (HRA)	4,600	-	-	-	-	4,600
Roofing and renewal of walkways to Ellerbeck (HRA)	33,400	-	-	-	-	33,400
Install Fire Doors High Rise	404,800	404,800	404,800	404,800	404,800	2,024,000
High Rise Ventilation System	1,715,280	-	-	-	-	1,715,280
Fire Risk Mitigation Works	300,000	-	-	-	-	300,000
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000	500,000
High Rise Refuse Chute Renewals	150,000	-	-	-	-	150,000
Works to Achieve Zero Carbon	1,000,000	1,000,000	1,000,000	-	-	3,000,000
Sheltered Lifts and Stairlift Renewals	250,000	50,000	50,000	50,000	50,000	450,000
Internal flooring and decoration at Eringden	90,000	-	-	-	-	90,000
Retention of Garage Sites	930,000	-	-	-	-	930,000
High Rise Structural Works		600,000	600,000	600,000		1,800,000
Capital Salaries	200,000	200,000	200,000	200,000	200,000	1,000,000
Street Lighting	180,000	76,440	-	-	-	256,440
Regeneration & Affordable Housing	250,000	1,750,000	1,750,000	1,750,000	1,750,000	7,250,000
Total HRA Capital	11,042,580	9,305,740	9,229,300	8,229,300	7,629,300	45,436,220

Proposed Financing:	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	£	£	£	£	£	£
Major Repairs Reserve	4,360,500	3,805,500	3,615,500	3,615,300	3,610,500	19,007,300
HRA Capital Receipts	950,000	425,000	419,800	420,000	420,000	2,634,800
Regeneration Revenue Reserves	3,462,000	2,584,000	2,590,000	2,585,000	2,584,800	13,805,800
Capital Receipts from Additional Council House Sales (1-4-1)	100,000	700,000	700,000	700,000	700,000	2,900,000
Capital Receipts from HRA Buy Back Scheme	19,800	-	-	-	-	19,800
Regeneration Reserve	710,080	476,440	485,000	479,000	314,000	2,464,520
Affordable Housing Reserve	420,200	614,800	399,000	400,000	-	1,834,000
Unsupported Borrowing	1,020,000	700,000	1,020,000	30,000	-	2,770,000
Total	11,042,580	9,305,740	9,229,300	8,229,300	7,629,300	45,436,220


Key:

 Capital appraisal received with New Scheme for 2024/25 or adjusted figures supplied

 Figure agreed to previous years report or ongoing scheme assumed at same amount

 No appraisal received

 Confirmation still required

 Amended since Base Budget report

Main Budget Assumptions

Inflationary Factors	2024/25	2025/26	2026/27	2027/28	2028/29
Inflation Rate - Pay Awards	4.00%	2.00%	2.00%	2.00%	2.00%
National Insurance	10.00%	10.00%	10.00%	10.00%	10.00%
Superannuation	22.1%	22.1%	22.1%	22.1%	22.1%
Inflation Rate (RPI)	3.40%	2.40%	2.40%	2.80%	2.80%
Inflation Rate (CPI)	3.50%	2.40%	2.40%	2.80%	2.80%
Investment Rates	4.25%	2.75%	2.60%	2.50%	2.50%
Base Interest Rates	5.00%	3.00%	2.50%	2.50%	2.50%

- For 2022/23 a £1,925 increase on all pay points for Local Government pay was agreed. For 2023/24, an offer of a £1,925 increase on all pay points has been subject to union ballot and has been included. Future years remain uncertain but a 4.0% increase has been assumed for 2024/25 with annual increases of 2.0% p.a. from 2025/26.
- Overall, Fees and Charges will rise generally by 5% in 2024/25 (2.5% p.a. thereafter) except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
- Revised estimates for rent allowance / rent rebate subsidy levels have been included;
- At this stage no changes to the level of recharges between funds has been included;
- Revenue Support Grant of £322,012 will increase annually by inflation. The impact for the Council will be confirmed by MHCLG as part of the *Local Government Finance Settlement* with a provisional announcement in December 2023.
- The New Homes Bonus scheme, which has been extended for 2024/25 will end pending consultation on the future of the scheme;
- An increase of £2.95% p.a. in Council Tax;
- 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), a further overall freeze has been agreed in line with the Actuary’s indications for the 3 years from 2024/25 (together with a pre-payment of the 3 year contributions in April 2023). The primary contribution rate is 22.1% from 2023/24 (16.5% 2022/23) with a corresponding reduction in the lump sum element – better reflecting the split between future costs (funded by the primary contribution) which are expected to rise in line with inflation and past service costs (funded by the lump sum element). 1% p.a. year on year increases have been included from 2026/27;
- Increase in rent levels by CPI plus 1% (7.7% for 2024/25 based on the September CPI figure of 6.7%) - 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.

10. Forecasts have been informed by the Bank of England Inflation report (August 2023), HM Treasury – Forecasts for the UK Economy (August 20232)). Any significant variances will be considered later in the budget setting process.

Policy Changes 2024/25 to 2028/29

SERVICE AREA	Budget	Budget	Budget	Budget	Budget
	Changes	Changes	Changes	Changes	Changes
	24/25	25/26	26/27	27/28	28/29
	£'000	£'000	£'000	£'000	£'000
EXECUTIVE DIRECTOR ORGANISATION	33.710	(5.88)	0.170	0.170	0.180
PEOPLE	447.26	(64.11)	(23.77)	1.05	0.95
OPERATIONS AND LEISURE	580.14	(52.66)	(137.20)	(38.63)	1.18
EXECUTIVE DIRECTOR FINANCE	5.09	(2.44)	0.05	0.06	0.05
FINANCE	(919.13)	(159.38)	1,083.87	3.92	0.44
EXECUTIVE DIRECTOR COMMUNITIES	-	-	-	-	-
NEIGHBOURHOODS	19.22	(9.15)	0.27	0.25	0.24
PARTNERSHIPS	37.14	(27.16)	0.55	0.50	0.44
ASSETS	119.44	(9.24)	0.29	0.30	0.27
CHIEF EXECUTIVE	13.58	(6.49)	0.15	0.15	0.16
GROWTH & REGENERATION	(189.57)	(44.94)	18.91	20.46	2.24
TOTAL	146.88	(381.45)	943.29	(11.77)	6.15
Cumulative Cost / (Saving)	146.88	(234.57)	708.72	696.95	703.10
	Budget	Budget	Budget	Budget	Budget
HOUSING REVENUE ACCOUNT - ASSETS	Changes	Changes	Changes	Changes	Changes
	24/25	25/26	26/27	27/28	28/29
	£'000	£'000	£'000	£'000	£'000
	(3.19)	19.90	18.95	15.75	0.45
HOUSING REVENUE ACCOUNT - SUMMARY					
HOUSING REVENUE ACCOUNT - EXECUTIVE DIRECTOR COMMUNITIES	5.09	(2.44)	0.05	0.06	0.05
HOUSING REVENUE ACCOUNT - ASSETS	114.78	(58.72)	0.60	0.57	0.53
HOUSING REVENUE ACCOUNT - NEIGHBOURHOODS	128.06	(85.55)	1.07	1.04	0.91
HOUSING REVENUE ACCOUNT - OPERATIONS	11.82	(5.59)	0.20	0.17	0.14
HOUSING REVENUE ACCOUNT - PEOPLE	40.61	(2.72)	0.08	0.07	0.07
TOTAL	297.17	(135.12)	20.95	17.66	2.15
Cumulative Cost / (Saving)	297.17	162.05	183.00	200.66	202.81

Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget	Budget	Budget	Budget	Budget
		Changes	Changes	Changes	Changes	Changes
		24/25	25/26	26/27	27/28	28/29
		FTE	FTE	FTE	FTE	FTE
EXECUTIVE DIRECTOR ORGANISATION		-	-	-	-	-
PEOPLE		4.7	-	-	-	-
OPERATIONS AND LEISURE		7.2	-	(3.2)	-	-
EXECUTIVE DIRECTOR FINANCE		-	-	-	-	-
FINANCE		-	-	-	-	-
EXECUTIVE DIRECTOR COMMUNITIES		-	-	-	-	-
NEIGHBOURHOODS		-	-	-	-	-
PARTNERSHIPS		-	-	-	-	-
ASSETS		0.8	-	-	-	-
CHIEF EXECUTIVE		-	-	-	-	-
GROWTH & REGENERATION		1.0	-	-	-	-
TOTAL		13.7	-	(3.2)	-	-
	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
HOUSING REVENUE ACCOUNT		24/25	25/26	26/27	27/28	28/29
		FTE	FTE	FTE	FTE	FTE
HOUSING REVENUE ACCOUNT - SUMMARY	0	-	-	-	-	-
HOUSING REVENUE ACCOUNT - EXECUTIVE DIRECTOR COMMUNITIES	0	-	-	-	-	-
HOUSING REVENUE ACCOUNT - ASSETS	0	2.6	(1.3)	-	-	-
HOUSING REVENUE ACCOUNT - NEIGHBOURHOODS	0	1.0	(1.0)	-	-	-
HOUSING REVENUE ACCOUNT - OPERATIONS	0	-	-	-	-	-
HOUSING REVENUE ACCOUNT - PEOPLE		1.0	-	-	-	-
TOTAL		4.6	(2.3)	-	-	-

EXECUTIVE DIRECTOR ORGANISATION							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
OR 1	Realignment of Salaries Budgets following latest Pay Award		12.31	(5.88)	0.17	0.17	0.18
OR 2	Members Allowances - cost of two Special Responsibility Allowances due to additional Cabinet Members		21.40	-	-	-	-
Total New Items / Amendments			33.71	(5.88)	0.17	0.17	0.18
STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	24/25	25/26	26/27	27/28	28/29
			FTE	FTE	FTE	FTE	FTE
	TOTAL		-	-	-	-	-

PEOPLE							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
PE 1	To extend the corporate training budget in order to meet needs identified in PDR process, inclusive of essential training such as health and safety for Street Scene and training to meet legislative requirements set by the Social Housing Regulatory Programme.		10.00	-	-	-	-
PE 2	To extend the elected members training budget to account for the high amount of new councillors		2.00	-	-	-	-
PE 3	Additional funding for targeted marketing, including Christmas and Aethelfest in 2024, and the purchase of a gazebo and additional casual staff costs to enable a presence at various events		17.80	(17.8)	-	-	-
PE 4	Increase budget for postage to meet continuing demand and increased postage costs		40.00	-	-	-	-
PE 5	Remove income budget for sale of goods at TIC (£15k) net of associated budget for purchase of retail stock (£6k)		9.58	-	-	-	-
PE 6	Retain CSA staff provision and make permanent 1.71 FTE posts to meet continuing demand re enquiries and service requests		51.50	-	-	-	-
PE 7	New post 0.2 FTE Box Office Asst to support Arts & Events team		8.10	-	-	-	-
PE 8	Make permanent current temporary CSO post 0.81 FTE		27.30	-	-	-	-
PE 9	Revenue implications of proposed capital schemes - £26k Civica EDM; £50k CRM & Customer Portal; £28k Contact Centre/Telephony		104.00	-	-	-	-
PE 10	Electoral Process - new apprentice post at National Minimum Wage - additional cost due to increased rate at max age, offset by £4.3k anticipated New Burdens Funding, for 2 years only		24.83	-	(24.83)	-	-
PE 11	Ongoing software licence costs of Modern Democracy system - net of poll clerk staff savings	May be covered by New Burdens but to be determined	31.69	(7.70)	-	-	-
PE 12	Additional Gr E Comms & Marketing post to expand the capacity of the in-house marketing resource for the Assembly Rooms, Castle and events		39.53	-	-	-	-
PE 13	Realignment of Salaries Budgets following latest Pay Award		80.93	(38.61)	1.06	1.05	0.95
Total New Items / Amendments			447.26	(64.11)	(23.77)	1.05	0.95

STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	24/25 FTE	25/26 FTE	26/27 FTE	27/28 FTE	28/29 FTE
PE 6	Retain CSA staff provision and make permanent 1.71 FTE posts to meet continuing demand re enquiries and service requests		1.71				
PE 7	New post 0.2 FTE Box Office Asst to support Arts & Events team		0.20				
PE 8	Make permanent current temporary CSO post 0.81 FTE		0.81				
PE 10	Electoral Process - new apprentice post at National Minimum Wage - for 2 year period		1.00		(1.0)		
PE 12	Additional Gr E Comms & Marketing post to expand the capacity of the in-house marketing resource for the Assembly Rooms, Castle and events		1.00				
TOTAL			4.72	-	-	-	-

OPERATIONS AND LEISURE							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
OPS 1	Heritage Lights Festival – three year programme - net of grant funding to be confirmed		-	-	-	-	-
OPS 1	Realignment of Salaries Budgets following latest Pay Award		110.58	(52.66)	1.56	1.37	1.18
OPS 2	Assembly Rooms cinema - increase in Broadcasting costs budget £5k pa to improve the offer and associated increase/re-alignment of		2.50	-	-	-	-
OPS 3	Following 2023 trial event 'Christmas Wonderland in Tamworth' additional budget of £40k pa for 3 years to repeat and build on this event.		40.00	-	-	(40.00)	-
OPS 4	Increased budget for outdoor summer events 'We Love Tamworth' to grow the event		10.00	-	-	-	-
OPS 5	Increased budget for Fireworks event to keep pace with additional costs and fund external traffic management plan		6.00	-	-	-	-
OPS 6	Funding to subsidise public swimming at Snowdome (contract to be re-negotiated)		110.00	-	-	-	-
OPS 7	Creation of 3-person multi-skilled reactive maintenance team - 2 EMOs £60k; 1 Chargehand £35.53k annual vehicle rental £6.4k, fuel £3k,		111.95	-	-	-	-
OPS 8	Increased budget for salaries at the Assembly Rooms, to sustain the Arts & Events Team yearly programme and activity, and ensure the department remains operational.	Temporary staff to be retained further two years pending review. Cover 10% shift	189.11	-	(138.76)	-	-
OPS 9	Increased income from revised staffing structure		-	-	-	-	-
OPS 10			-	-	-	-	-
OPS 11			-	-	-	-	-
OPS 12			-	-	-	-	-
OPS 13			-	-	-	-	-
TOTAL			580.14	(52.66)	(137.20)	(38.63)	1.18

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25 FTE	25/26 FTE	26/27 FTE	27/28 FTE	28/29 FTE
OPS 7	Creation of 3-person multi-skilled reactive maintenance team - 3 EMOs		3.00	-	-	-	-
OPS 8	Increased budget for salaries at the Assembly Rooms, to sustain the Arts & Events Team yearly programme and activity, and ensure the department remains operational.		4.24	-	(3.24)	-	-
TOTAL			7.24	-	(3.24)	-	-

EXECUTIVE DIRECTOR FINANCE							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
ED 1	Realignment of Salaries Budgets following latest Pay Award		5.09	(2.44)	0.05	0.06	0.05
Total New Items / Amendments			5.09	(2.44)	0.05	0.06	0.05
STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	24/25	25/26	26/27	27/28	28/29
			FTE	FTE	FTE	FTE	FTE
TOTAL			-	-	-	-	-

FINANCE							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
FIN 1	Removal of ongoing consultancy fees budget	If required for specific projects to be requested/built in as part of budgetary proposal	(50.00)	-	-	-	-
FIN 2	Local Government Services Grant confirmed but at reduced rate from 24/25 (previously £94.58k now indicated £15k)		79.58	(79.58)	-	-	-
FIN 3	New Homes Bonus to continue for a further year		(503.00)	503.00	-	-	-
FIN 4	Realignment of Salaries Budgets following latest Pay Award		70.22	(33.89)	0.98	0.94	0.89
FIN 5	Lower Tier Funding Guarantee Grant	Reduction in income budget for Lower Tier Funding Guarantee notified for 2024/25	8.38	(8.38)	-	-	-
FIN 6	Business Rates Levy Payment	Inclusion of budget for levy payment following deferral of Business Rates reset	125.00	(125.00)	-	-	-
FIN 7	Business Rates Relief S31 Grant	New Burdens Funding for Government scheme to reduce business rates charges following deferral of reset	(181.41)	181.41	-	-	-
FIN 8	Deferred reset Business Rates Levy Payment		-	1,631.86	(1,631.86)	-	-
FIN 9	Deferred reset Business Rates Relief S31 Grant		-	(2,717.00)	2,717.00	-	-
FIN 10	Transfer from Business Rates Equalisation Reserve		(500.00)	500.00	-	-	-
FIN 11	Revenue Impact of Capital programme	Repayment of debt (4%) on unsupported borrowing / lost investment income	60.150	8.100	16.700	18.730	-
FIN 12	Revenue Impact of Capital programme	Increased Item 8 DR recharge to HRA	(28.050)	(19.900)	(18.950)	(15.750)	(0.450)
FIN 13			-	-	-	-	-
Total New Items / Amendments			(919.13)	(159.38)	1,083.87	3.9	0.4

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25	25/26	26/27	27/28	28/29
			FTE	FTE	FTE	FTE	FTE
	TOTAL		-	-	-	-	-

NEIGHBOURHOODS							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
NEI 1	Realignment of Salaries Budgets following latest Pay Award		19.22	(9.15)	0.27	0.25	0.24
NEI 2			-	-	-	-	-
NEI 3			-	-	-	-	-
NEI 4			-	-	-	-	-
NEI 5			-	-	-	-	-
NEI 6			-	-	-	-	-
NEI 7			-	-	-	-	-
Total New Items / Amendments			19.22	(9.15)	0.27	0.25	0.24

PARTNERSHIPS							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
PAR 1	Remove budget for the St Peter's Community Centre, as the 5 year grant agreement for £9k per annum has ended.		(9.00)	-	-	-	-
PAR 2	Realignment of Salaries Budgets following latest Pay Award		36.14	(17.16)	0.55	0.50	0.44
PAR 3	Staffordshire 3 Memorial		10.00	(10.00)			
Total New Items / Amendments			37.14	(27.16)	0.55	0.50	0.44

ASSETS							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
AST 1	The creation of a permanent Senior Adaptations Caseworker post (across both services) into the Disabled Adaptations Team to manage increased demand, support service improvements and overall delivery timescales. Projected Grade G (split GF and HRA)		45.01	-	-	-	-
AST 2	Recharge of the above post to Capital CA1004 78%		(45.01)	-	-	-	-
AST 3	Realignment of Salaries Budgets following latest Pay Award		19.44	(9.24)	0.29	0.30	0.27
AST 4	Reduced income receivable following purchase of Gungate car park leasehold		100.00				
Total New Items / Amendments			119.44	(9.24)	0.29	0.30	0.27

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25	25/26	26/27	27/28	28/29
			FTE	FTE	FTE	FTE	FTE
AST 1	The creation of a permanent Senior Adaptations Caseworker post (across both services) into the Disabled Adaptations Team to manage increased demand, support service improvements and overall delivery timescales. Projected Grade G (split GF and HRA)		0.8				
TOTAL			0.8	-	-	-	-

CHIEF EXECUTIVE							
Item	Proposal/(Existing Budget)	Implications	Budget	Budget	Budget	Budget	Budget
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
CE 1	Realignment of Salaries Budgets following latest Pay Award		13.58	(6.49)	0.15	0.15	0.16
CE 2			-	-	-	-	-
CE 3			-	-	-	-	-
CE 4			-	-	-	-	-
Total New Items / Amendments			13.58	(6.49)	0.15	0.15	0.16

GROWTH & REGENERATION							
Item No	Proposal/(Existing Budget)	Implications	Budget	Budget	Budget	Budget	Budget
			24/25	25/26	26/27	27/28	28/29
			£'000	£'000	£'000	£'000	£'000
G&R 1	To make the Regeneration Projects Officer post, which is currently a fixed term 3 year post, permanent, recognising the pipeline of Regeneration projects, including Gungate, LUF 3, Homes England, Amington Local Centre, Marmion House redevelopment, Solway CIs disposal, etc. The post is funded to 2025/26 via FHSF and Gungate capital budgets, and there is also the potential to offset future costs with expected grant from the Enterprise Zone Regional Investment Fund (subject to approval)		-	-	19.07	39.58	1.47
G&R 2	To establish an annual budget over three years for the delivery of Saxon Living History events in the Castle & Grounds		20.00	-	-	(20.00)	-
G&R 3	To establish indicative operational budgets for The Flex building, planned to be delivered by November 2024 as part of the FHSF regeneration programme, net of expected income.		(2.88)	(11.93)	-	-	-
G&R 4	Additional car parking income under scenario modelling re revised tariffs and charges approved by Cabinet November 23		(157.00)	-	-	-	-
G&R 5	Realignment of Salaries Budgets following latest Pay Award		69.46	(33.01)	(0.16)	0.88	0.77
G&R 6	Additional car parking income for Gungate car park (lease acquired from NCP)		(150.00)	-	-	-	-
G&R 7	NNDR charge for Gungate car park		30.85	-	-	-	-
Total New Items / Amendments			(189.57)	(44.94)	18.91	20.46	2.24

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25	25/26	26/27	27/28	28/29
			FTE	FTE	FTE	FTE	FTE
G&R 1	To make the Regeration Projects Officer post, which is currently a fixed term 3 year post, permanent		1.00	-	-	-	-
TOTAL			1.00	-	-	-	-

HOUSING REVENUE ACCOUNT - SUMMARY

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HRA 1	Increase in service charges income due to additional cleaning service at new blocks at Wilnecote Day Centre (policy change HASS 4)		(31.24)	-	-	-	-
HRA 2	Revenue Impact of Capital programme	Increased Item 8 DR recharge to HRA	28.05	19.90	18.95	15.75	0.45
HRA 3			-	-	-	-	-
Total New Items / Amendments			(3.19)	19.90	18.95	15.75	0.45

HOUSING REVENUE ACCOUNT - EXECUTIVE DIRECTOR COMMUNITIES

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HENV 1	Realignment of Salaries Budgets following latest Pay Award		5.09	(2.44)	0.05	0.06	0.05
Total New Items / Amendments			5.09	(2.44)	0.05	0.06	0.05

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25 FTE	25/26 FTE	26/27 FTE	27/28 FTE	28/29 FTE
TOTAL			-	-	-	-	-

HOUSING REVENUE ACCOUNT - ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HASS 1	Budget provision to cover cost of using existing TBC employed Cleaners to ensure cleaning of HRA communal areas can continue to be carried out in the event that any current cleaning staff member becomes unavailable due to sickness or long term absence. In the last couple of years the demand to use Agency Cover for staff absence has increased significantly whilst the same level of cleaning is still expected		40.00	(40.00)	-	-	-
HASS 2	The creation of a permanent Senior Adaptations Caseworker post (across both services) into the Disabled Adaptations Team to manage increased demand, support service improvements and overall delivery timescales. Projected Grade G Recharge of the above post to Capital CR2008 22%		12.70	-	-	-	-
HASS 3	New low rise blocks have been built at the former Wilnecote Day Centre in Hockley. A full cleaning service will be required to clean all the communal areas of these buildings (properties have been built but as yet tenancy start dates have not yet been confirmed). There is no spare capacity within the current Cleaning Team to accommodate the additional cleaning required from the building of these new blocks. It is therefore proposed to create 1 x new full time Cleaner (37 hours per week). Cleaner will be required to undertake the cleaning of the communal areas of these new blocks and also help with delivering stock to various sites, carry out vacuum checks, carry out cleaning checks and any other daily cleaning duties required as well as being able to help out at other TBC communal areas to cover other Cleaners		(12.70)				
HASS 4	An additional van is also required on a hire basis similar to the one that is currently used by the HRA Cleaning team. Current vehicle being hired from Radius Vehicle Solutions at net cost of £3,900 per annum		31.24				
HASS 5	Realignment of Salaries Budgets following latest Pay Award		4.00				
HASS 6			39.54	(18.72)	0.60	0.57	0.53
Total New Items / Amendments			114.78	(58.72)	0.60	0.57	0.53

STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	24/25 FTE	25/26 FTE	26/27 FTE	27/28 FTE	28/29 FTE
HASS 1	Budget provision to cover cost of using existing TBC employed Cleaners to ensure cleaning of HRA communal areas can continue to be carried out in the event that any current cleaning staff member becomesunavailable due to sickness or long term absence. In the last couple of years the demand to use Agency Cover for staff absence has increased significantly whilst the same level of cleaning is still expected to be carried out. Cleaners are graded B and £40,000 will equate to just		1.3	(1.33)			
HASS 2	The creation of a permanent Senior Adaptations Caseworker post (across both services) into the Disabled Adaptations Team to manage increased demand, support service improvements and overall delivery timescales. Projected Grade G		0.22				
HASS 4	1 Gr B FTE Cleaner for new low rise blocks at the former Wilnecote Day Centre in		1.00				
TOTAL			2.6	(1.33)	-	-	-

**HOUSING REVENUE ACCOUNT -
NEIGHBOURHOODS**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HNEI 1	Budget provision to cover the cost of extending the temporary post `Resident Support Worker` at Eringden Block for a further year until March 2025 on a Grade E. Realignment of Salaries Budgets following latest Pay Award		41.43	(41.43)	-	-	-
HNEI 2			86.63	(44.12)	1.07	1.04	0.91
HNEI 3			-	-	-	-	-
HNEI 4			-	-	-	-	-
HNEI 5			-	-	-	-	-
HNEI 6			-	-	-	-	-
HNEI 7			-	-	-	-	-
				-	-	-	-
Total New Items / Amendments			128.06	(85.55)	1.07	1.04	0.91

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	23/24	24/25	25/26	26/27	27/28
			FTE	FTE	FTE	FTE	FTE
HNEI 1	Budget provision to cover the cost of extending the temporary post `Resident Support Worker` at Eringden Block for a further year until March 2025 on a Grade E.		1.0	(1.0)			
TOTAL			1.0	(1.0)	-	-	-

HOUSING REVENUE ACCOUNT - OPERATIONS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HOPS 1	Realignment of Salaries Budgets following latest Pay Award		11.82	(5.59)	0.20	0.17	0.14
HOPS 2			-	-	-	-	-
Total New Items / Amendments			11.82	(5.59)	0.20	0.17	0.14

HOUSING REVENUE ACCOUNT - PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000
HPEO 1	Realignment of Salaries Budgets following latest Pay Award To retain the post of Housing Repairs CSO Gr D on a permanent basis from April 2024 (currently a temporary post to 31.3.24)	To meet continuing high demand	5.71	(2.72)	0.08	0.07	0.07
HPEO 2			34.9	-	-	-	-
Total New Items / Amendments			40.61	(2.72)	0.08	0.07	0.07

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	24/25 FTE	25/26 FTE	26/27 FTE	27/28 FTE	28/29 FTE
HPEO 2	To retain the post of Housing Repairs CSO Gr D on a permanent basis from April 2024 (currently a temporary post to 31.3.24)	To meet continuing high demand	1.00				
	TOTAL		1.00	-	-	-	-

General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29
	£	£	£	£	£	£
Chief Executive	1,890,420	1,910,890	1,903,030	1,892,090	1,880,730	1,869,100
AD Growth & Regeneration	945,870	662,250	689,450	721,090	780,070	816,600
ED Organisation	610,280	688,890	709,260	730,590	753,250	776,490
AD People	2,445,180	2,782,780	2,879,770	2,928,380	3,004,550	3,077,520
AD Operations & Leisure	3,824,980	4,117,580	4,247,190	4,140,210	4,176,960	4,250,530
ED Finance	90,630	93,320	95,670	98,230	100,880	103,550
AD Finance	(2,638,720)	(3,983,880)	(879,880)	594,300	693,350	894,810
ED Communities	-	0	0	0	0	0
AD Assets	(125,610)	46,950	77,660	(230,010)	(200,700)	(171,440)
AD Neighbourhoods	875,250	813,030	819,950	835,000	849,860	864,440
AD Partnerships	887,800	1,051,280	1,062,940	1,085,360	1,105,280	1,123,240
Recharges	-	0	0	0	0	0
Net Cost of Services	8,806,080	8,183,090	11,605,040	12,795,240	13,144,230	13,604,840
Transfer to / (from) Balances	(1,207,869)	(1,134,859)	(3,262,175)	(4,726,456)	(4,821,585)	(5,020,265)
Revenue Support Grant	(302,008)	(322,012)	(328,452)	(335,021)	(341,722)	(348,556)
Retained Business Rates	(13,581,271)	(14,264,548)	(15,407,082)	(15,715,224)	(16,029,528)	(16,350,119)
Less: Tariff payable	10,686,850	11,172,962	12,361,073	13,138,695	13,401,468	13,669,498
Collection Fund Surplus (Council Tax)	(59,581)	(27,070)	(27,070)	(27,070)	(27,070)	(27,070)
Collection Fund Deficit (Business Rates)	260,300	1,151,630	-	-	-	-
Council Tax Requirement	(4,602,501)	(4,759,193)	(4,941,334)	(5,130,164)	(5,325,793)	(5,528,328)

Figures include proposed Policy Changes

Tamworth Borough Council

Statement by Authority Section 151 Officer

Under Section 25 of the Local Government Act 2003, the Section 151 Officer is specifically required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

I am content that the Revenue and Capital budgets have been prepared in an accurate and robust manner such that the Council will have adequate resources to discharge its responsibilities under various statutes and regulations.

The expected level of reserves at 31 March 2024 are £17.97m for the General Fund and £10.91m for the HRA.

Based on current estimates, the reserve levels for the General Fund are sufficient to enable balanced budgets to be set for the next three years 2024/25 to 2026/27. The Council is planning to address future shortfalls in the General Fund from 2027/28 and beyond through its Sustainability Strategy.

The expected level of reserves for the HRA are sufficient to enable balanced budgets to be set for the next 5 years and beyond.

It is my opinion that the levels of reserves are adequate.

Becky Smeathers CPFA
Tamworth Borough Council Section 151 Officer

Estimated Council Tax levels at each band for 2024/25

Authority:	Tamworth Borough Council Tax 2023/24	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Staffordshire Commissioner Fire and Rescue Authority	Total 2024/25	Total Council Tax 2023/24
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		4,759,193	36,266,603	6,423,150	2,037,273	49,486,219	
Council Tax Band							
A	131.26	135.13	1,029.76	182.38	57.85	1,405.12	1,341.96
B	153.14	157.66	1,201.39	212.78	67.49	1,639.32	1,565.63
C	175.01	180.18	1,373.01	243.17	77.13	1,873.49	1,789.28
D	196.89	202.70	1,544.64	273.57	86.77	2,107.68	2,012.94
E	240.64	247.74	1,887.89	334.36	106.05	2,576.04	2,460.25
F	284.40	292.79	2,231.15	395.16	125.33	3,044.43	2,907.58
G	328.15	337.83	2,574.40	455.95	144.62	3,512.80	3,354.90
H	393.78	405.40	3,089.28	547.14	173.54	4,215.36	4,025.88
% increase		2.95%	4.99%	4.99%	2.99%	4.71%	

*

Staffordshire County Council, Medium Term Financial Strategy 2023 / 2028 Budget and Council Tax 8 February 2024)

Staffordshire Police, Fire, and Crime Panel – 5th February 2024, Proposed Police Budget and Precept 2024/25

Staffordshire Police, Fire, and Crime Panel – 12th February 2024, Proposed Fire and Rescue Budget and Precept 2024/25

Sensitivity Analysis

	Risk	2024/25 £'000	2025/26 £'000	2026/27 £'000
Pay Award / National Insurance (GF)				
Impact +/- 0.5% Variance £'000	L	215	328	445
Budget Impact over 1 year	L	215		
Budget Impact over 3 years	M	988		
Budget Impact over 5 years	M	1552		
Pay Award / National Insurance (HRA)				
Impact +/- 0.5% Variance £'000	L	69	105	143
Budget Impact over 1 years	L	69		
Budget Impact over 3 years	L	317		
Budget Impact over 5 years	M	498		
Subject to negotiation for Local Government pay (including any protection for low paid employees)				
Pension Costs				
Impact +/- 0.5% Variance £'000	L	0	0	154
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	154		
Budget Impact over 5 years	M	465		
3 year agreement in place from 2023/24 - subject to stock market & membership changes				
Council Tax				
Impact on Council Tax income £'000		19	46	74
Budget Impact over 1 year	L	19		
Budget Impact over 3 years	L	139		
Budget Impact over 5 years	M	243		
Inflation / CPI				
Impact +/- 0.5% Variance £'000	L	279	425	571
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	0		
Budget Impact over 5 years	M	0		
Government Grant				
Impact +/- 1.0% Variance £'000	L	66	100	129
Budget Impact over 1 year	L	66		
Budget Impact over 3 years	L	295		
Budget Impact over 5 years	M	454		
Investment Interest				
Impact +/- 0.5% Variance £'000	L	487	609	738

Budget Impact over 1 year	L	487		
Budget Impact over 3 years	H	1,834		
Budget Impact over 5 years	H	2,700		
Key Income Streams (GF)				
Impact +/- 10% Variance £'000	L	342	520	703
Budget Impact over 1 year	L	342		
Budget Impact over 3 years	H	1,565		
Budget Impact over 5 years	H	2,455		
Key Income Streams (HRA)				
Impact +/- 1% Variance £'000	L	427	646	870
Budget Impact over 1 years	L	427		
Budget Impact over 3 years	H	1,943		
Budget Impact over 5 years	H	3,043		
New Homes Bonus				
Impact +/- 10% Variance £'000	L	50	0	0
Budget Impact over 1 year	L	50		
Budget Impact over 3 years	L	50		
Budget Impact over 5 years	M	50		
Business Rates				
Impact +/- 0.5% Variance £'000	L	278	433	590
Budget Impact over 1 year	L	278		
Budget Impact over 3 years	M	1,301		
Budget Impact over 5 years	H	2,051		

**Housing Revenue Account
Budgeted Income and Expenditure Account**

**Appendix
J**

	Base Budget 2023/24 £	Technical Adjustments £	Policy Changes £	Budget 2024/25 £	Budget 2025/26 £	Budget 2026/27 £	Budget 2027/28 £	Budget 2028/29 £
Income								
Dwelling Rents	(20,832,240)	(2,210,040)	-	(23,042,280)	(23,182,010)	(23,808,270)	(24,451,250)	(25,111,380)
Non-Dwelling Rents	(352,610)	(1,090)	-	(353,700)	(339,460)	(347,460)	(355,660)	(364,060)
Charges for Services and Facilities	(999,930)	(125,000)	(31,240)	(1,156,170)	(1,175,310)	(1,190,340)	(1,205,120)	(1,220,260)
Contributions Towards Expenditure	(1,178,200)	(312,094)	(12,696)	(1,502,990)	(1,503,020)	(1,503,050)	(1,503,080)	(1,503,110)
Subtotal	(23,362,980)	(2,648,224)	(43,936)	(26,055,140)	(26,199,800)	(26,849,120)	(27,515,110)	(28,198,810)
Expenditure								
Repairs and Maintenance	6,535,020	105,660	56,520	6,697,200	6,880,770	7,061,350	7,270,680	7,485,220
Supervision and Management	7,476,540	(263,236)	256,536	7,469,840	7,355,460	7,518,260	7,676,560	7,832,170
Rents, Rates, Taxes and Other Charges	40,470	(210)	-	40,260	40,900	41,540	42,330	43,140
Increase in Provision for Bad Debts	353,000	17,000	-	370,000	421,400	481,700	552,300	634,900
Depreciation and impairment of non-current assets	3,085,800	984,530	-	4,070,330	4,070,330	4,070,330	4,070,330	4,070,330
Debt Management Costs	26,980	-	-	26,980	26,980	26,980	26,980	26,980
Subtotal	17,517,810	843,744	313,056	18,674,610	18,795,840	19,200,160	19,639,180	20,092,740
Net cost of HRA Services per Authority I&E	(5,845,170)	(1,804,480)	269,120	(7,380,530)	(7,403,960)	(7,648,960)	(7,875,930)	(8,106,070)
Corporate and Democratic Core	29,520	3,650	-	33,170	33,970	34,790	35,760	36,760
Net Cost of HRA Services	(5,815,650)	(1,800,830)	269,120	(7,347,360)	(7,369,990)	(7,614,170)	(7,840,170)	(8,069,310)
Interest Payable and Similar Charges	2,820,460	202,190	28,050	3,050,700	2,900,170	2,876,510	2,892,260	2,892,710
Interest Receivable and Similar Income	(122,050)	(101,360)	-	(223,410)	(147,470)	(120,120)	(133,900)	(170,400)
Surplus/ Deficit for the year	(3,117,240)	(1,700,000)	297,170	(4,520,070)	(4,617,290)	(4,857,780)	(5,081,810)	(5,347,000)

Statement of Movement on the HRA Balance

Surplus or Deficit for the year	(3,117,240)	(1,700,000)	297,170	(4,520,070)	(4,617,290)	(4,857,780)	(5,081,810)	(5,347,000)
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	3,940,720	(474,450)	-	3,466,270	3,466,270	3,466,270	3,466,270	3,466,270
(Increase)/ Decrease in HRA Balances	823,480	(2,174,450)	297,170	(1,053,800)	(1,151,020)	(1,391,510)	(1,615,540)	(1,880,730)

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**TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT
POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND
ANNUAL INVESTMENT STRATEGY 2024/25**

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 2024/25 – 2026/27 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 2021;
- 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 2021, the following four clauses have been adopted:

1. This Council will create and maintain, as the cornerstones for effective treasury and investment management:

- a. A treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
 - b. 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
 - c. Investment management practices (IMPs) for investments that are not for treasury management purposes.
2. This Council will receive reports on its treasury and investment 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 in the form prescribed in its TMPs and IMPs.
 3. 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, TMPs and IMPs, and, as a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.
 4. This organisation 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 Omotayo Lawal, Head of Finance, ext 246 or Rebecca Smeathers, Executive Director Finance, ext 242.

Background Papers:-	<i>Budget & Medium Term Financial Strategy 2024/25</i>
	<i>Mid-year Treasury Report 2023/24 Council, 12/12/23</i>
	<i>Annual Treasury Report 2022/23 Council 19/09/23</i>
	<i>Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Statement 2023/24 Council 28/02/23</i>
	<i>Treasury Management Training slides 6th February 2024</i>
	<i>CIPFA Code of Practice on Treasury Management in Public Services 2017</i>
	<i>CIPFA Code of Practice on Treasury Management in Public Services 2021</i>
	<i>CIPFA Prudential Code for Capital Finance in Local Authorities 2021</i>
	<i>DCLG Guidance on Local Government Investments March 2010</i>
	<i>Local Government Act 2003</i>
	<i>Treasury Management Practices 2024/25 (Operational Detail)</i>

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, including 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 Updated Treasury Management and Prudential Codes

CIPFA released new editions of the Treasury Management Code and Prudential Code on 20th December 2021, with reporting requirements effective from 2023/24 financial year. The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that: -

- it defines its risk appetite and its governance processes for managing risk.
- it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
- it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.

- it does not borrow to finance capital expenditure to invest primarily for commercial return.
- increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the authority. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
- an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
- its capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is done quarterly, including updates of prudential indicators.
- it should assess the risks and rewards of significant investments over the **LONG TERM**, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the authority.
- it has access to the appropriate level of **expertise** to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

1.3 Reporting Requirements

1.3.1 Capital Strategy

The CIPFA 2021 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.

1.3.2 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 Annual 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.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Corporate Scrutiny Committee as part of their review of the Quarterly Performance Healthcheck.

1.4 Treasury Management Strategy for 2024/25

The strategy for 2024/25 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 CIPFA Prudential Code, and the CIPFA Treasury Management Code.

1.5 Training

The CIPFA Treasury Management 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.

Furthermore, the Code states it is expected that all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of

treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and Council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and Council members.
- Require treasury management officers and Council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and Council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a self-assessment by members responsible for the scrutiny of treasury management, with a template available to be used to inform Member training requirements.

Training on Treasury Management issues was most recently delivered for Members in February 2023, with training on the Corporate Capital Strategy in February 2020, and will be provided as and when required. Further training is planned in February 2024. The training needs of Treasury Management officers are regularly reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the AD Finance. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the AD Finance.

1.6 Treasury Management Consultants

The Council uses Link Group, Link Treasury Services Ltd as its external treasury management advisors.

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

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

2. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

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 are prudent, affordable and sustainable.

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 forecast.

Capital Expenditure £m	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re- profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Non-HRA	4.822	14.101	27.366	13.053	1.858	1.317	1.146
HRA	13.876	12.566	16.244	3.557	11.043	9.306	9.229
Commercial Activities/Non- Financial Investments ***	0.067	0.652	6.152	5.500	-	-	-
Total	18.765	27.319	49.762	22.110	12.901	10.622	10.375

* Actual Projected at Period 9

** excludes projected slippage from 2023/24

*** commercial activities/non-financial investments relates to Gungate development

The projected slippage into 2024/25 of £22.11m relates mainly to Future High Street Funds (FHSF) schemes, and Gungate development.

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)	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re- profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Capital Receipts	2.528	3.227	9.027	9.739	1.432	1.450	1.446
Capital Grants	4.973	11.938	21.831	5.892	0.547	0.547	0.547
Capital Reserves	6.534	6.872	9.907	2.845	4.812	4.000	3.494

Revenue Reserves	4.591	3.905	4.887	0.922	4.361	3.806	3.616
Revenue Contributions	-	-	-	-	-	-	-
Net financing need for the year	0.140	1.376	4.110	2.712	1.749	0.820	1.273
Total	18.765	27.319	49.762	22.110	12.901	10.622	10.375

* Actual Projected at Period 9

** excludes projected slippage from 2023/24

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	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re-profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	0.067	0.652	6.152	5.500	-	-	-
Financing Costs	(0.067)	(0.652)	(6.152)	(5.500)	-	-	-
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, PPP 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	2022/23 Actual	2023/24 Revised Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement					
CFR – non housing	3.785	4.395	7.029	6.682	6.442
CFR - housing	69.982	70.541	72.160	72.860	73.880
CFR - commercial activities/non-financial investments	-	-	-	-	-
Total CFR	73.767	74.936	79.190	79.542	80.322
Movement in CFR	(0.064)	1.169	4.254	0.353	0.780
Movement in CFR represented by	-	-	-	-	-
Net financing need for the year (above)	0.140	1.376	4.461	0.820	1.273
Less MRP/VRP and other financing movements	(0.204)	(0.207)	(0.207)	(0.467)	(0.493)
Movement in CFR	(0.064)	1.169	4.254	0.353	0.780

* CFR 2021/22 £73.506m

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 Liability Benchmark

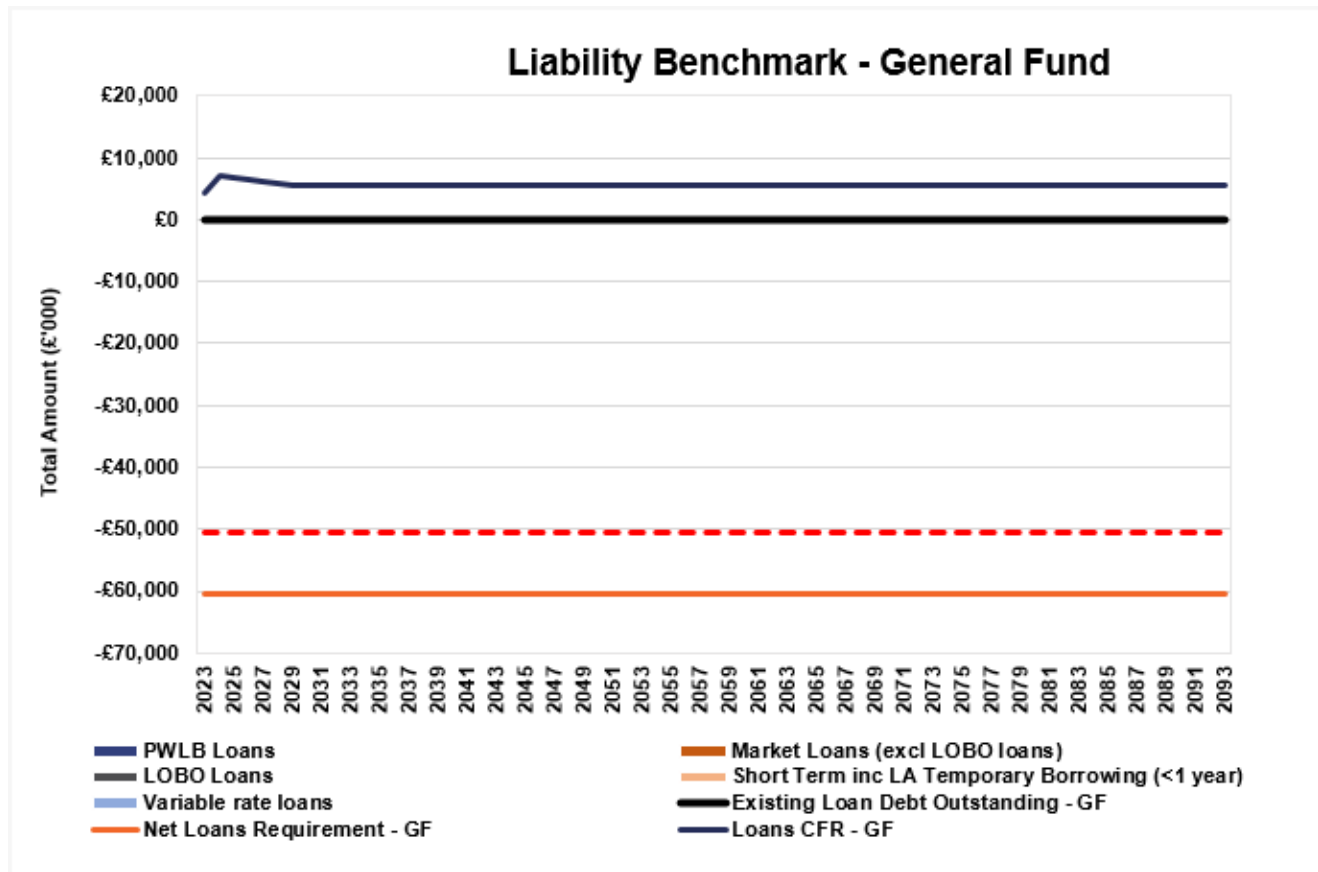
The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. The liability benchmark analysis should be seen as a tool which will assist the Council with its future borrowing requirements and it highlights the Council's optimum position for external borrowing.

There are four components to the LB: -

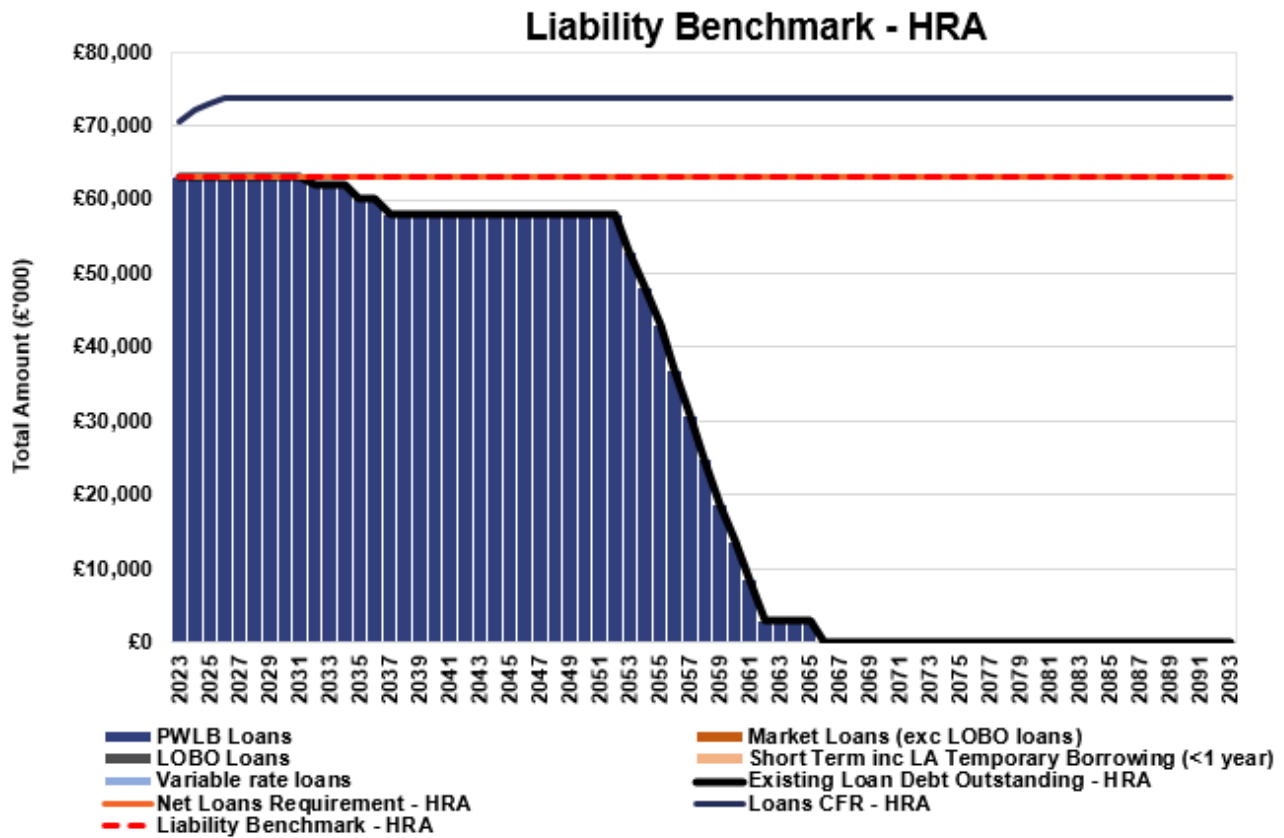
1. **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans Capital Financing Requirement definition in the Prudential Code, reflecting the Council's borrowing need and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this is a forecast of the level of gross loan debt the Council will require in line with its budget plans. It is based on the net

loans requirement, plus a liquidity allowance for treasury management investments, which is an estimate of the level of short-term investments needed to provide an adequate level of liquidity for daily cash flow management. We have estimated our liquidity allowance at £10m.

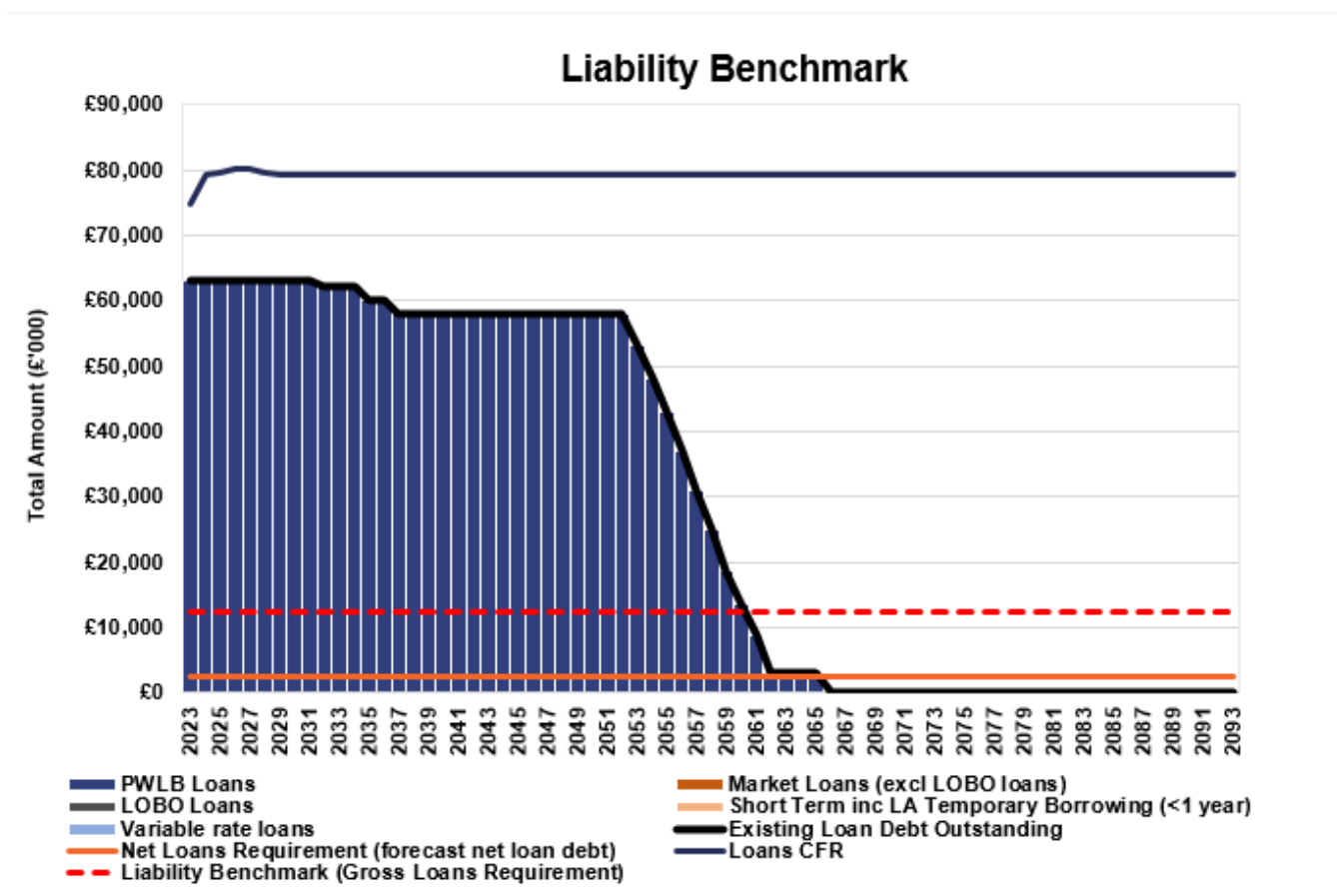
The following graphs detail the liability benchmark for each of the General Fund and HRA, and then the combined position.



The net loans requirement and liability benchmark for the General Fund is negative as this is reflective of the balance of GF treasury investments held.



The liability benchmark for the HRA is set at the same level as the net loans requirement (£63m reflecting PWLB loans outstanding) as there is no need to maintain additional borrowing to meet liquidity needs as this falls to the General Fund.



The combined liability benchmark chart above shows the existing loan debt outstanding, the capital financing requirement, net loans requirement and liability benchmark indicator.

The difference between the loans capital financing requirement and existing debt indicates internal borrowing. Prior to any new borrowing, the Council will have regard to underlying assumptions of liability benchmark analysis as part of prudent treasury management.

2.4 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	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund Balances/Reserves	38.536	35.507	24.564	22.042	18.684
Capital Receipts	15.286	13.269	3.391	3.151	2.915
Provisions*	1.827	1.827	1.827	1.827	1.827
Other	-	-	-	-	-
Total Core Funds	55.649	50.603	29.781	27.020	23.426
Working Capital**	26.419	11.700	2.641	(1.61)	2.939
(Under)/Over Borrowing	(10.707)	(11.876)	(16.129)	(16.482)	(17.262)

Expected Investments	71.361	50.428	16.293	8.932	9.103
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* Includes full provision for NNDR appeals

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

For Capital Expenditure incurred before 1 April 2008 which forms part of 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.

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

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.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.

MRP Overpayments – Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council has made no VRP overpayments.

3. BORROWING

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

3.1 Current Portfolio Position

The overall Treasury Management portfolio as at 31st March 2023 and for the position as at 31st December 2023 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	ACTUAL AT 31/3/23		CURRENT AT 31/12/23	
	£m	%	£m	%
Treasury Investments				
Banks	30.000	41.99	19.000	24.67
Building Societies	-	-	-	-
Local Authorities	29.000	40.59	30.000	38.96
DMADF (H M Treasury)	-	-	-	-
Money Market Funds	1.610	2.25	17.793	23.11
Certificates of Deposit	-	-	-	-
Total Managed in-House	60.610	84.83	66.793	86.73
Bond Funds	-	-	-	-
Property Funds	10.842	15.17	10.216	13.27
Total Managed Externally	10.842	15.17	10.216	13.27
Total Treasury Investments	71.452	100	77.009	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)	8.392		13.949	

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.

	2022/23	2023/24	2024/25	2025/26	2026/27
Treasury Portfolio	Actual	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£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	73.767	74.936	79.190	79.542	80.322
Under / (over) borrowing	10.707	11.876	16.129	16.482	17.262

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 2024/25 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.

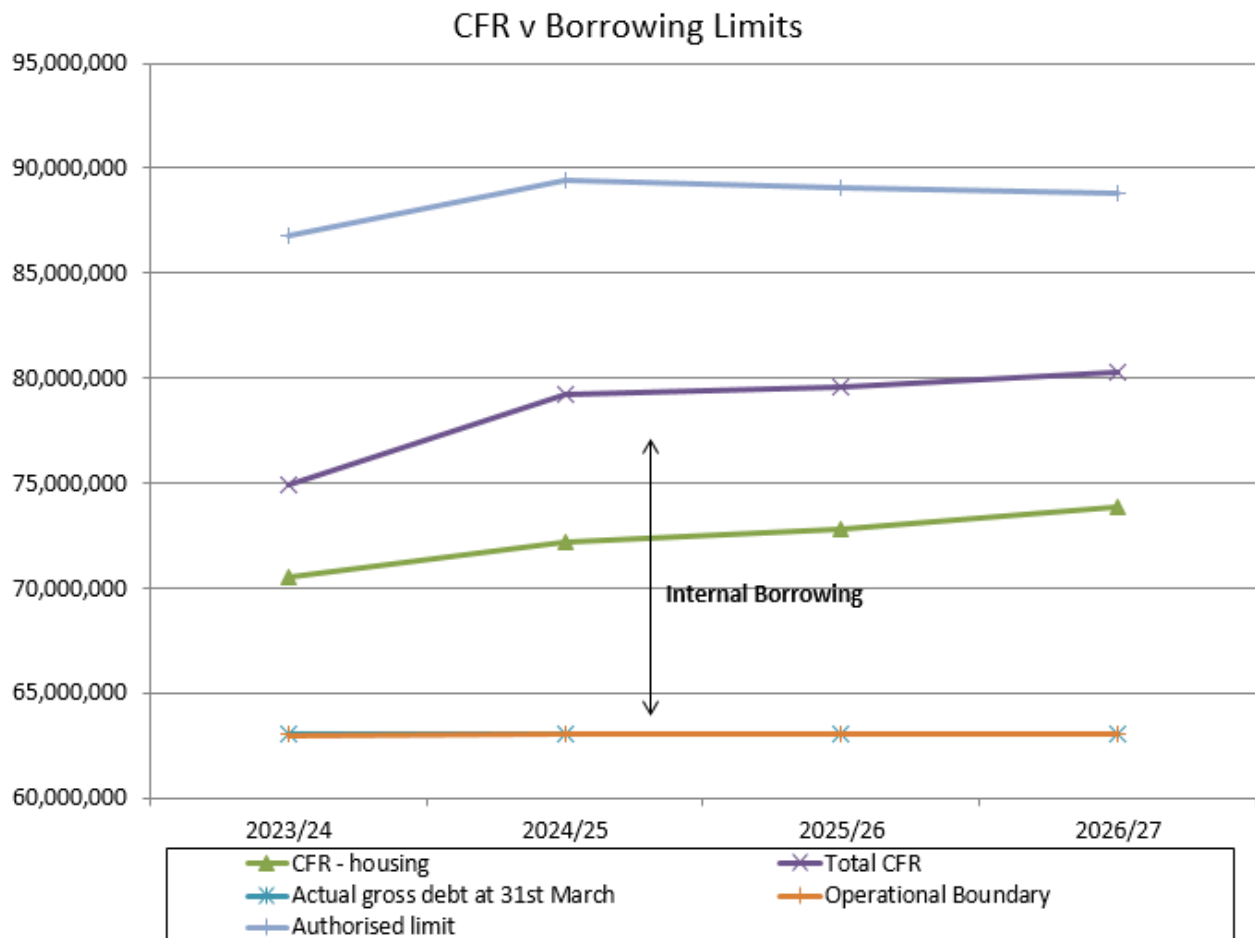
Operational Boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-	-	-
Commercial Activities/non-financial Investments				
Total	63.060	63.060	63.060	63.060

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	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	86.802	89.436	89.089	88.849
Total	86.802	89.436	89.089	88.849



3.3. Prospects for Interest Rates

The Council has appointed Link Group as its Treasury Advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government’s pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. We do not think that the MPC will increase Bank Rate above 5.25%.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation continues to fall through 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 08.01.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	4.53%	3.70%	3.80%
10 years	4.67%	3.90%	3.80%
25 years	5.19%	4.20%	4.20%
50 years	4.97%	4.00%	4.00%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics’ research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below: -

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	3.20%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

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 medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 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, 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 may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate. 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 and Types of Borrowing

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

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally 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	●	●
UK 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 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

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 regard to the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

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 set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management of 35% (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 2023/24 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, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the override to 31.3.24 has been agreed by Government.
- 13) 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 Senior 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. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, 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 of treasury management investments to non-specified treasury management investments as being 35% of the total treasury management 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. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, 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.

Investment Returns Expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%.

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

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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			
	2024/25 £m	2025/26 £m	2026/27 £m
Principal sums invested > 365 days	5.702	3.126	3.186
Current investments as at 31.12.23 in excess of 1 year maturing in each year	-	-	-

4.5 Investment Performance/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

ANNEX 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

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.	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Non-HRA	(26.85)%	(24.66)%	(24.23)%	(4.74)%	(2.90)%
HRA	30.16%	25.96%	27.20%	26.66%	25.91%
Commercial Activities/non-Financial Investments	(9.78)%	(5.97)%	(5.16)%	(3.63)%	(3.29)%

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.

b) Housing Revenue Account Debt Ratios

HRA Debt to Revenues Ratio	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate
HRA Debt £m	69.982	70.541	72.160	72.860	73.880
HRA Revenues £m	20.019	21.404	23.586	23.708	24.340
Ratio of Debt to Revenues %	350	330	306	307	304

HRA Debt per Dwelling	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate
HRA Debt £m	69.982	70.541	72.160	72.860	73.880
Number of HRA Dwellings	4,080	4,062	4,042	4,022	4,002
Debt per Dwelling £'000	17.152	17.366	17.853	18.115	18.461

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 2024/25		
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 2024/25		
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 2023-2026

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PWLB forecasts are based on PWLB certainty rates.

ANNEX 3 ECONOMIC BACKGROUND

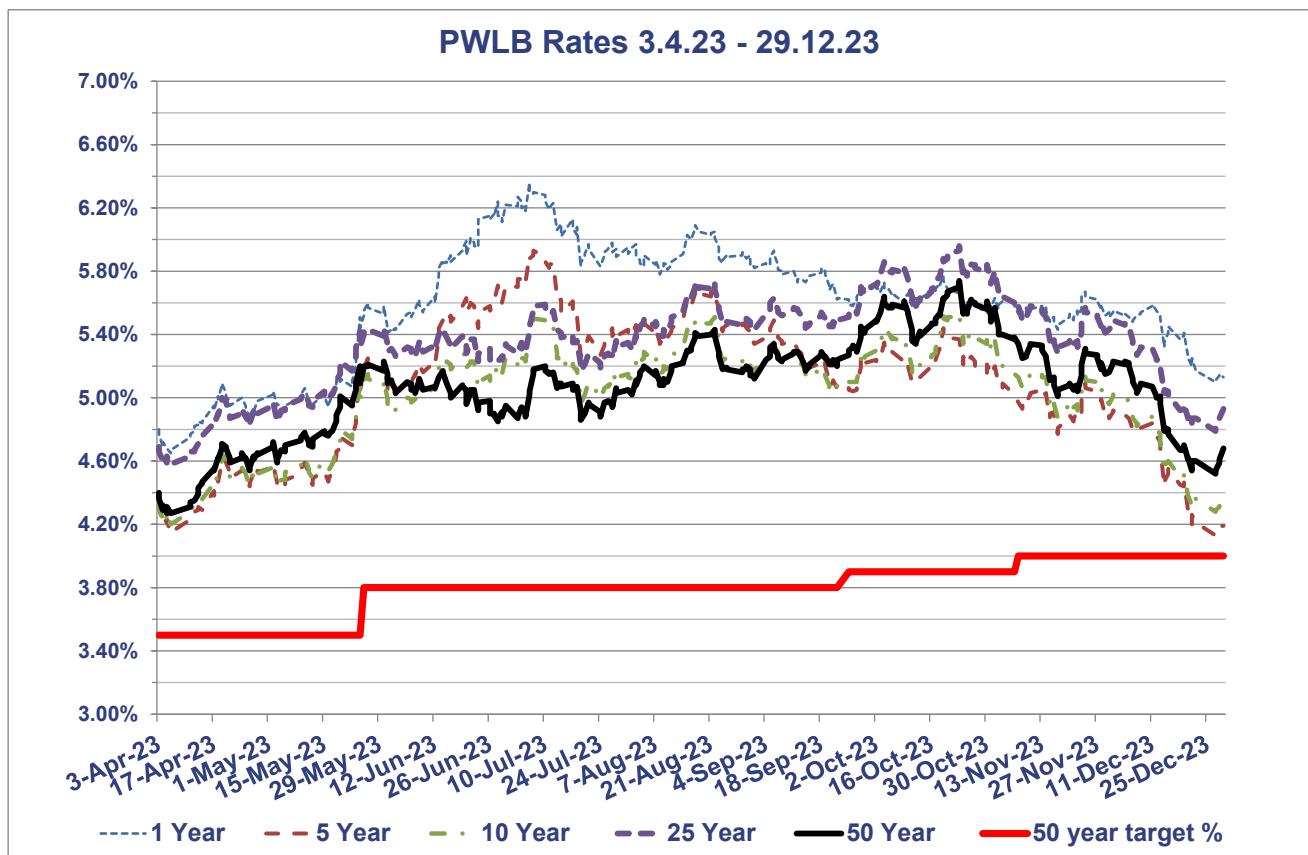
- The third quarter of 2023/24 saw:
 - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
 - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS “experimental” rate of unemployment has remained low at 4.2%;
 - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
 - Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November, the lowest rate since January 2022;
 - The Bank of England holding Bank Rate at 5.25% in November and December;
 - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide’s December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

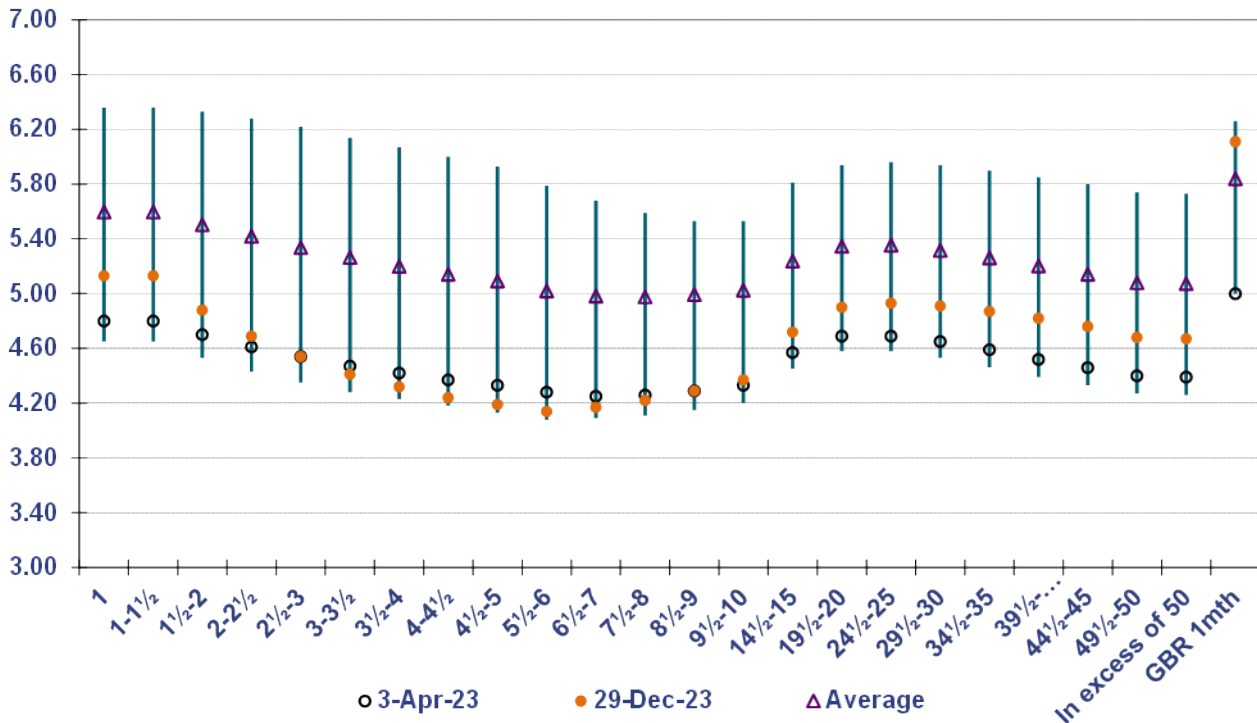
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23



PWLB Certainty Rate Variations 3.4.23 to 29.12.23



HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England’s Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about “sticky” inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.

- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

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 35% 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 Gilts	Yellow	£10m	5 years
UK 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

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- UK

(Per Link 17/11/23)

* 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 2024/25.

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 the 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.

The Council's prime consideration when assessing the suitability of counterparties and investments is Security, Liquidity and then Yield. Environmental, social and governance (ESG) factors will then be considered. The Council does not invest in bond or equity markets, therefore there is currently a lack of data available on which to base ESG considerations relevant to the Council's investments. The main ratings agencies are increasingly including ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. Therefore the incorporation of ESG risks is already being considered, to an extent, by the use of mainstream rating agencies. Our treasury advisors Link also continue to look at ways in which ESG factors can be incorporated into their creditworthiness assessment service, and they have advised clients that they will review the options and will update clients as progress is made. As the Council develops its environmental and climate

change policies, including the net zero strategy, ESG investment policies and procedures will then be developed to align with these.

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 or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

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. S/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. S/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 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

	<p>based on an equal weighting of the CDS spread of 25 European financial companies.</p> <p>Clients can use the iTraxx to see where an institution's CDS spread is relative to that of the market and judge its creditworthiness in that manner, as well as looking at the credit ratings.</p>
Liquidity	An asset is perfectly liquid if one can trade immediately, at a price not worse than the uninformed expected value, the quantity one desires.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision	Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. Their primary target (as set by the Government) is to keep inflation at or around 2%.
Security	An investment instrument, issued by a corporation, government, or other organization which offers evidence of debt or equity.
Short Term	A period of 364 days or less
Supranational Bonds	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds.

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

ANNEX 10 PRUDENTIAL INDICATORS – DEFINITIONS / INTERPRETATION

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

- 1. Estimate of total capital expenditure to be incurred** – This summarises the Council's current plans for the total capital expenditure over the next 3 years. Details of individual schemes are contained within the capital estimate pages.
- 2. Estimates of Capital Financing Summary** – This details the capital financing sources for the next 3 years.
- 3. Estimated Ratio of financing costs to net revenue stream** - This indicator has been calculated as debt interest, borrowing refinancing costs, minimum revenue provision, depreciation for HRA, net of investment income and divided by the General Fund (GF) budget requirement for the GF element of costs and the total of HRA income for the HRA costs. For GF Account, the indicator has been calculated gross of government support in the form of RSG for the proportion of capital expenditure funded from supported level of borrowing.
- 4. Capital Financing Requirement** – This represents the Council's underlying need to borrow to finance historic capital expenditure and is derived by aggregating specified items from the Council's balance sheet. The actual **net borrowing** is lower than this because of the current strategy to use internal borrowing rather than replace maturing debt.
- 5. Actual External Debt** – This is a key indicator and Section 3 of the Local Government Act 2003 requires the Council to ensure that gross external debt does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.
- 6. Authorised Borrowing Limit for external debt** - This indicator represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers is **prudent**. It allows for uncertain cash flow movements and borrowing in advance for future requirements.

The 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 2024-25 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.

