Huntingdonshire
DISTRICT COUNCIL

Dear Councillor

OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND GROWTH) - WEDNESDAY, 3 FEBRUARY 2021

I am now able to enclose for consideration at the above meeting the following reports that were unavailable when the agenda was printed.

Agenda Item No.

1. **MINUTES**(Pages 3 - 6)
To approve as a correct record the Minutes of the Overview and Scrutiny Panel (Performance and Growth) meetings held on 6th January and 25th January 2021.

(Minutes for the meeting held on 25th January to follow.)

4. **FINAL 2021/22 REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (2022/23 TO 2025/26) INCLUDING THE CAPITAL PROGRAMME**(Pages 7 - 62)
The Panel are to receive the final revenue budget for 2021/22, the medium-term financial strategy for the period 2022/23 to 2025/26 and the capital programme.

(Report to follow.)

5. **2021/22 TREASURY MANAGEMENT, CAPITAL AND INVESTMENT STRATEGIES**(Pages 63 - 120)
A report on the Treasury Management, Capital and Investment Strategies for 2021/22 will be presented to the Panel.

(Report to follow.)

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND GROWTH) held as a Remote Meeting via Zoom on Monday, 25th January 2021

PRESENT: Councillor S J Corney – Chairman.

Councillors E R Butler, D B Dew, I D Gardener, Dr P L R Gaskin, J P Morris, A Roberts and S Wakeford.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors B S Banks, M S Grice, Mrs J Tavener and D J Wells.

IN ATTENDANCE: Councillors T D Alban, S J Criswell, Ms A Diaz, Mrs A Dickinson, Mrs S Smith, D M Tysoe, and Mrs S R Wilson.

53 MEMBERS' INTERESTS

No declarations of interest were received.

54 COVID-19 RECOVERY PROGRAMME

By means of a report by the Interim Corporate Director (a copy of which is appended in the Minute Book) and with the aid of a presentation the Council's Covid-19 Recovery Programme was presented to the Panel.

Following a question by Councillor Criswell it was confirmed that the recovery programme would involve collaboration between the different public bodies and that an important aspect of the programme was to ensure that Officers were aware of the key priorities. Members were also reassured that Parish and Town Councils would be involved in the recovery programme.

Councillor Wilson commented that residents had understood that some services could not operate as normal during the pandemic but there was an expectation that, as soon as practicable, services should return to full operating capacity.

Councillor Smith commented that a number of Parishes were very organised in distributing food packages to vulnerable residents, however the challenge was to secure sufficient donations to meet demand. She stated that more donations were required, possibly from a central source, for the food poverty project to be successful.

A question was asked by Councillor Tysoe on how the Council could gauge whether objectives had been achieved or projects had been successful. The Interim Corporate Director responded by stating that key measures had been established that would be monitored and that, where necessary, there would be reference back to higher-level measures in the Community Impact Assessment.

It was acknowledged that there would be a data lag in some areas and that some objectives and projects would be easier to measure and track than others.

The issue of funding was raised by Councillor Butler. In response, the Panel was informed that all projects were subject to a bidding process and that multiple sources of funding available. In addition, the Council could collaborate with partners who had access to alternative sources of funding.

Discussions ensued regarding the Council's objective of expanding its core information on local businesses. Following suggestions from Members, the Panel was informed that Officers had already held discussions with the local Chambers of Commerce and the local branch of the Federation of Small Businesses. The Interim Corporate Director also stated that the Council was aiming to build on the information it had to get a better understanding of business needs.

In discussing the work of voluntary organisations, Councillor Alban stated that there was a lot of positive work that could be harnessed for the good of the community. He also stressed the importance of working with communities rather than imposing solutions on them.

Councillor Tysoe commented that, when working with 'at risk' residents, it was important to recognise that not all of them identified themselves as being 'at risk'.

Councillor Roberts enquired as to the purpose of providing support and advice to businesses on digitisation. The Panel was informed that it was to help businesses establish an online platform where one did not currently did not exist. This would give them the opportunity to increase their customer base and to sell goods and services to people residing outside of the District.

After a question from Councillor Smith, it was confirmed that the Council had established links with faith groups.

A discussion on the objective 'a skilled and engaged workforce' ensued. Councillor Dew commented that all projects under this objective would be important in recovering from the economic effects of Covid-19.

Councillor Gardener raised a query about the location of job clubs and was informed that Officers work with existing job clubs but that when looking to establish new ones critical mass was taken into account. It was also confirmed, after Councillor Alban asked a follow-up question, that Officers would collaborate with neighbouring authorities where appropriate.

Councillor Roberts questioned whether the Council would improve digital 'not-spots' as part of the digital infrastructure project. In response, the Panel was informed that Officers were working closely with Connecting Cambridgeshire in improving coverage across Huntingdonshire. The Interim Corporate Director added that an alternative broadband provider 'County Broadband' were looking at connecting 32 villages across Huntingdonshire. He added that it was difficult to connect those areas that were not near physical infrastructure. Councillor Alban added to the discussion by stating that the provision of broadband to places with a population of fewer than 50 people was difficult as the cost per household was prohibitively expensive.

Councillor Wakeford questioned whether the Council could provide any practical support to young entrepreneurs. Members were reminded that some projects were more developed than others. There was a theoretical base behind each project, and this would be applied in this instance.

Following a query from Councillor Alban on rough sleepers, the Panel was informed that the Council was continuing to provide them with the necessary support. In addition, the Council encouraged rough sleepers to register with a GP to ensure they were able to receive vaccines. The Chairman asked whether the Council would consider a similar approach to Cambridge City Council by providing rough sleepers with modular homes. The Panel was informed that the situation in Cambridge was different, but Officers were monitoring this initiative in case any transferrable lessons could be learnt.

A discussion ensued on the healthy living project. Councillor Morris emphasised the importance of including in it a focus on mental health. The point was noted but it was necessary to be clear on the Council's role in supporting the NHS.

In discussing the objective 'a greener future' Councillor Gardener commented that connectivity between villages and towns should be included when considering walking and cycling routes. Councillor Morris added that in doing so more children would be encouraged to walk to school. Councillor Diaz added that where cycle lanes were in place, students were prepared to use them. However, Councillor Tysoe made the observation that agencies did not work as collaboratively on creating new walking and cycling routes as might be desired. In response, Members were informed that the purpose of the project was to create plans so that when infrastructure matters were under consideration, they could be referred to by civil engineers.

Questions were raised on the Council's project to reopen One Leisure. The Interim Corporate Director recognised that it would be a challenge. The service was awaiting the publication Government guidance before decisions could be taken on when the centres would reopen and how they would operate.

Councillor Dickinson asked whether it was planned to increase the number of electric charging points in the Council's car parks. The Panel was informed that the Council had submitted a bid to the Combined Authority for funding for this purpose and that there was a programme to install more charging points, which would be presented to Overview and Scrutiny and then the Cabinet in February.

Questions were raised about rental income from the estates' portfolio. It was recognised that the difficult economic climate represented a challenge for businesses, and the Council's Commercial Estates Manager took this into account in her dealings with clients.

Councillor Tysoe suggested that the Council should consider leveraging similar schemes and projects by other agencies and at the same time take steps to ensure that work was not duplicated. Whereupon, it was

RESOLVED

a) that the report be received and noted, and

b) that further reports be submitted as required as the Programme develops.

Chairman

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Final 2021/22 Revenue Budget & Medium Term Financial Strategy (2022/23 to 2025/26); including the Capital Programme.
Meeting/Date:	Overview & Scrutiny (Performance & Growth) – 3rd February 2020
Executive Portfolio:	Executive Councillor for Strategic Resources (JG)
Report by:	Chief Finance Officer (CE)
Ward affected:	All

Executive Summary

This report sets out the Councils Revenue and Capital budget proposals for the 2021/22 Final Budget and the Medium Term Financial Strategy (2022/23 to 2025/26). The proposals:

- include savings and additional income, growth, non-realised savings from earlier years, the implications of other budget adjustments and the Commercial Investment Strategy, and the governments financial settlement, and their

- impact on Council Tax and Reserves for 2021/22 and over the medium term.

RECOMMENDATION

The Overview and Scrutiny Panel is invited to comment on the revenue and capital proposals, the Council Tax and levels of Reserves from the Cabinet report attached at **Appendix A**.

Public
Key Decision - Yes

APPENDIX A

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Final 2021/22 Revenue Budget and Medium Term Financial Strategy (2022/23 to 2025/26); including the Capital Programme
Meeting/Date:	Cabinet – 11th February 2021
Executive Portfolio:	Executive Councillor for Strategic Resources
Report by:	Chief Finance Officer
Wards affected:	All

Executive Summary:

In order for the Council to:

- set the Council Tax for the area, the Council is required to set an annual Budget for the forthcoming year, and to
- ensure effective future financial planning, the Council approves a Medium term Financial Strategy (MTFS) for the subsequent 4 years.

Consequently, this report sets out the final budget for 2021/22 and the revised MTFS for the period 2022/23 to 2025/26 for Cabinet approval.

The Budget includes relevant savings, income and growth proposals, implications of the Provisional Financial Settlement and the impact of Covid 19, together with a planned Council Tax freeze for 2020/21 and then 2.6% for the duration of the MTFS. The budget also includes the Capital Programme 2021/22 to 2025/26.

The Final Budget 2021/21 gives a Net Service Expenditure Budget of £20.7m; the detailed Final Budget 2021/22 and MTFS is shown at **Appendix 1**.

For 2021/22, the adjustments increase the contribution to Reserves; over the MTFS period the budget gap by 2024/25 is £0.2m, some £300k less than last year. The 'Plan on a Page' at **Appendix 2** has now been updated to reflect the final budget**.**

Recommendations:

That the Cabinet recommends to Council the approval of the:

- overall Final Budget 2021/22 and MTFS 2022/23 to 2025/26 (**Appendix 1**, this includes the Revenue Budget at Section 2 and the Capital Programme at Section 3)

- the "Plan-on-a-Page" (**Appendix 2**)

1. PURPOSE OF THE REPORT

1.1 To provide Cabinet with the detail of the Final Budget and MTFS for consideration. The report sets out:

- any changes that have occurred since the Draft Budget and MTFS was approved.
- impacts on reserves.
- level of Council Tax.
- consideration of the Resolution that will be presented to Full Council on the 24 February 2021.
- risks associated with the budget and relevant sensitivity analysis.

2. BACKGROUND

2.1 In respect of 2021/22, the Draft Budget shows:

- a Draft 2021/22 Budget with Net expenditure of £20.6m and a Budget Requirement of £21.5m,
- an MTFS that has a profiled decrease in the Budget Requirement to £19.9m by 2025/26.
- a Capital Programme of £18.2m for 2021/22, that reduces to £3.8m by 2025/26; with net internal funding of £3.0m and £0.4m respectively.

2.2 In respect of 2021/22, the Draft Budget included:

- savings and additional income of £0.897m.
- growth of £3.75m.
- the provisional finance settlement of £2.1m in respect of New Homes Bonus and no Revenue Support Grant.
- an estimate of £6.1m for Business Rates related income and the Collection Fund.

3. SUMMARY BUDGET 2021/22 AND MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26

3.1 The 2021/22 Budget and Medium Term Financial Strategy is shown in **Table 2**.

	Council Services Net Expenditure Budget (2020/21) and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget	Forecast (December)	Budget	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000	£000	£000
Chief Operating Officer	4,425	4,330	4,435	4,617	4,679	4,853	4,992
Assistant Director Transformation	401	303	383	243	458	440	450
Assistant Director Corporate Resources	5,899	5,390	7,025	7,123	6,884	6,851	6,786
Head of Leisure & Health	(215)	579	522	(30)	(108)	(221)	(114)
Head of Operations	3,347	4,037	4,407	3,747	3,484	3,640	3,749
Head of 3C's ICT Shared Service	2,139	2,128	2,253	2,286	2,351	2,418	2,486
Corporate Leadership Team	603	731	619	631	643	656	668
Programmes Delivery Manager	70	36	71	72	74	75	77
Housing Manager	177	208	180	183	186	189	192
Planning Manager	842	745	791	708	727	777	796
Net Expenditure	**17,688**	**18,487**	**20,686**	**19,580**	**19,378**	**19,678**	**20,082**

	Council Funding Statement Budget (2020/21) and MTFS						
			Funding Streams and Council Tax Requirement				
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget	Forecast (December)	Budget	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000	£000	£000
Net Expenditure	**17,688**	**18,487**	**20,686**	**19,580**	**19,378**	**19,678**	**20,082**
Contribution to/(from) Earmarked Reserves:	0						
- Commercial Investment Strategy	2,212	2,212				0	0
General Reserves	(1,256)	(1,149)	776	(883)	(621)	(338)	(177)
Budget Requirement	**18,644**	**19,550**	**21,462**	**18,697**	**18,757**	**19,340**	**19,905**
Non-Domestic Rates	(6,674)	(6,674)	(6,080)	(6,644)	(6,829)	(7,096)	(7,370)
Non-Domestic Rates (Growth Pilot)	0	0	0	0	0	0	0
S31 Grant	(1,579)	(2,403)	(2,176)	(2,213)	(2,250)	(2,287)	(2,287)
Revenue Support Grant (RSG)	0	0	0	0	0	0	0
Fair Funding Review Adjustment	82	0	82	163	245	326	408
New Homes Bonus	(2,212)	(2,212)	(2,014)	(427)	0	0	0
Collection Fund (Surplus) / Deficit	907	907	(296)	0	0	0	0
Council Tax Support Funding			(189)				
Income Compensation Scheme (Q1)			(595)				
Covid 19 Funding (tranche 5)			(758)				
Local Tier Service Grant			(195)				
Council Tax Requirement	**9,168**	**9,168**	**9,241**	**9,576**	**9,923**	**10,283**	**10,656**
- Base (*)	**62,854**	**62,854**	**63,355**	**63,989**	**64,628**	**65,275**	**65,927**
- Per Band D	**145.86**	**145.86**	**145.86**	**149.65**	**153.54**	**157.54**	**161.63**
- Increase £			**£ -**	**£ 3.79**	**£ 3.89**	**£ 3.99**	**£ 4.10**
- Increase %			**0.00%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**

Impact on Reserves

3.2 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Council's Funding Statement (**Table 2**) this is shown against the line entitled "General Reserves". For the 2021/22 budget there is a budgeted surplus of £0.776m. However, from 2022/23 to the end of the MTFS period there is a budget gap. Due the impact of the Covid 19 pandemic on the Council's finances, the NHB receipts from 2020/21 have been allocated to the General Fund; this is a change in the Council's desire to show a self-financing position, this is still being achieve by the end of the MTFS. Any NHB not utilised will still be transferred into the Commercial Investment Reserves.

3.3 Over the MTFS period the budget gap by 2025/26 is £0.177m, a reduction of £0.32m than shown in 2021/22.

3.4 As shown in **Table 3** below, the funding gap from 2022/23 can be met from the Budget Surplus Reserve whilst at the same time ensuring that the General Fund Reserve stays at the Councils agreed minimum level of reserves; £2.715m. It is fair to conclude that the Councils budget is balanced over the medium term; however it should be noted that if the Council chooses to use reserves to meet a budget gap this must be viewed as short term bridging finance, whereas if reserves were used to invest in the local community or to acquire assets or invest in opportunities that would either generate income or reduce expenditure this would be a medium to long term investment.

	Reserves and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget £000	Forecast £000	Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
GENERAL FUND (Unallocated) RESERVE							
b/f	**2,525**	**2,534**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Contribution to Reserve	*0*	*0*	*0*	*0*	*0*	*0*	0
Contribution from Reserve	*(1,256)*	*(1,149)*	*776*	*(883)*	*(621)*	*(338)*	*(177)*
Contribution from(to) Budget Surplus	1,384	790	(776)	883	621	338	177
c/f	**2,653**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Net Expenditure	17,688	18,487	20,686	19,580	19,378	19,678	20,082
Minimum Level of Reserves	**2,592**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**

BUDGET SURPLUS RESERVE							
b/f	**3,031**	**4,774**	**3,984**	**4,760**	**3,877**	**3,256**	**2,918**
Contribution to Reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contribution from Reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contribution from (to) General Fund	(1,384)	(790)	776	(883)	(621)	(338)	(177)
Contribution from (to) CIS Reserve			0	0	0	0	
Contribution from (to) Earmarked Reserves	(58)						
c/f	**1,589**	**3,984**	**4,760**	**3,877**	**3,256**	**2,918**	**2,741**

COMMERCIAL INVESTMENT RESERVE							
b/f	**3,536**	**3,382**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**
Contribution to Reserve (former NHB)		*0*	*0*	*0*	*0*	*0*	*0*
Contribution from Reserve	*(38)*	*(196)*	*0*	*0*	*0*	*0*	*0*
Contribution from (to) General Fund	0	0	0	0	0	0	0
Contribution from (to) Budget Surplus Reserve	0	0	0	0	0	0	0
c/f	**3,498**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**

4. PLAN-ON-A-PAGE 2021/22 TO 2025/26

4.1 Since 2015/16 the Council has adopted a strategy known as ‘Plan on a Page’ which sets out the Council’s financial strategy. **Section 3** has shown that the Council continues to face challenges over the medium term in its obligations to provide cost-effective services. **Appendix 2** shows the 2021/22 “Plan-on-a-Page” and the strategic resource plan that will be followed in order to achieve the Council’s financial objectives. The savings required (budget gap) has reduced to £0.177m by the end of the MTFS (2025/26) – a reduction of £0.32m when compared to last years “Plan on a Page”. **Table 3** below gives a summary of the budget changes:

Table 3	Budget Changes that have reduced the "Plan on a Page" Forecast Savings Required		
			£m
2020/21 Budget and MTFS – Forecast Savings Required			**0.453**
Income Generation	Council Tax & Base	0.249	
	Commercialisation	0.000	
	Funding Changes	(0.972)	(0.723)
Efficiencies & Growth	Budget Review	0.000	
	Service Growth	0.447	
	Transformation Savings	0.000	0.447
2020/21 Budget and MTFS – Forecast Savings Required			**0.177**

5. ROBUSTNESS OF THE 2021/22 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26

5.1 The Council's Responsible Financial Officer (S.151) has to make a statutory statement in respect of the Budget and reserves.

5.2 Section 8 of **Appendix 1** provides considerable discussion in respect of Risks that both the Council and the wider local government community face at this time of continued public sector austerity. In addition, sensitivity analysis is applied against these risks and their impact on General Fund reserves is assessed. In summary, the key findings are:

i. In 2021/22 an excess budget requirement is achieved which makes a direct contribution to Reserve of £0.776m.
ii. If the Council was to utilise only the General Fund and Budget Surplus Reserves, based on the assumptions in the current MTFS, the Council would be able to maintain a minimum level of General Fund (Unallocated) Reserves based on a Pessimistic or Middle-Way view.
iii. Over the 5 years of the MTFS (next year and the subsequent four years) the total net contribution from reserves is £1.2m.

5.3 Considering all the factors noted within the "Robustness" statement in respect of the 2021/22 Budget, it is considered that the combination of the:

- Councils commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- the clear indication to invest in services,
- it's prudent position relating to income recognition (including raising Council Tax), and

…..the budget proposed for 2021/22 should not give Members any significant concerns over the Council's financial position.

5.4 With regard to the period covered by the MTFS; the Council does face some future funding risk with the:
  - expected reduction in NHB,
  - the implications of Fair Funding and
  - the ongoing issues pertaining to the localisation of Business Rates.

However, over the past few years the Council has taken proactive action to address its budgetary concerns and with the planned continuation find efficiencies the Council has a sound financial base upon which it can further develop its aim of financial self-sufficiency.

6. COMMENTS OF OVERVIEW & SCRUTINY

6.1 The comments of the relevant Overview and Scrutiny Panel will be included in this section prior to its consideration by the Cabinet.

7. KEY IMPACTS / RISKS

7.1 The setting of the budget and the Council Tax will directly impact on how Council services are to be delivered to both the residents and businesses of Huntingdonshire. Consequently the delivery of the 2021/22 Budget, when approved, will be proactively managed via the Council's budgetary monitoring processes throughout the year. In addition to the budget itself, it is essential that the Council maintains adequate reserves to ensure that it has an effective safety net to meet unforeseen risks.

8. TIMETABLE FOR IMPLEMENTATION

8.1 The 2021/22 Budget forms an integral part of the service planning process for 2021/22 and therefore actions and timescales required to ensure savings are achieved and service spending is in line with the approved budget will be contained within the final service plans.

9. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

9.1 The Budget is the financial interpretation of the Councils strategic and operational priorities that are included within the entire Corporate Plan. However, the budget process itself meets the following specific aims and objectives of the Corporate Plan:

- Becoming a more efficient and effective Council.

9.2 This will assist the Council to:

- Become more efficient in the way we deliver services providing value for money services.

10. LEGAL IMPLICATIONS

10.1 As per the Sections 31A and 42A of the Local Government Finance Act 1992, the Council is required to set a balanced budget. This is achieved for 2021/22 so the setting of the Council Tax at the level mentioned within the report is appropriate.

11. RESOURCE IMPLICATIONS

11.1 The resource implications have been shown within the main body of this report.

12. OTHER IMPLICATIONS

12.1 All implications are contained within the body of the report.

13. REASONS FOR THE RECOMMENDED DECISIONS

13.1 To enable Cabinet to approve and understand:

- the 2021/22 Budget and MTFS
- The risks and impacts included within 2021/22 Budget and MTFS.

14. LIST OF APPENDICES INCLUDED

Appendix 1: 2021/22 Final Budget & Medium Term Financial Strategy 2022/23 to 2025/26.

Appendix 2: Plan on a Page.

BACKGROUND PAPERS

Working papers in Resources; Accountancy Services

CONTACT OFFICER

Claire Edwards, Chief Finance Officer

☎ 01480 388822

Appendix 1

FINAL

2021/22 Budget

&

Medium Term Financial Strategy

2022/23

To

2025/26

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1.0 STRATEGIC BUDGET SUMMARY

1.1 Savings, Income Generation, Growth and Revenue Implications of Capital

1.1.1 Over the Autumn of 2020, Portfolio holders were challenged to review their budgets with respective senior officers in understanding the impact of the Covid 19 Pandemic on the forthcoming financial year (2021/22) and the MTFS period (2022/23 to 2025/26) and how any impact could be mitigated by any potential savings or efficiencies in delivery of services.

1.1.2 The Council generates a considerable proportion of its own funding from the various services it provides. These range from income from One Leisure and Car Parking through to charging for Licensing and Planning Services. Service specific income is shown later in this report within the service budget pages.

1.1.3 In addition the Council also generates income from corporate activity; this mainly focuses on:

- Treasury Management; which has been considerably less than in recent years because of the current extremely low interest rate environment.
- Commercial Estates; whereby the Council is proactively developing its commercial estate activity to develop for the Council a medium to long term revenue stream.

1.1.4 However, the challenge for this budget was to understand the continued, unavoidable pressures that the Council will continue to face, as we emerge from the social and economic fallout the pandemic has caused. Therefore, previous assumptions have been reviewed and challenged considering the uncertainty around the Local Government Financial settlement beyond 21/22.

1.1.5 Growth has appeared within the budget for one of four reasons:

- Inflation on employee costs and business rate changes
- Employees increment related growth
- Non-employee budgets non-controllable growth (unavoidable)
- Controllable growth

1.1.6 All of the savings, income generation and growth are summarised in the service budget pages later in this report. The total Service Proposals for 2021/22 are £2.86m and **Table 1** below shows how this is allocated by service.

Table 1	**Service Savings and Growth Proposals**		
Service	**Budget Savings** **£000**	**Budget Growth** **£000**	**Total** **£000**
Chief Operating Officer	(80)	87	8
Assistant Director Transformation	0	30	30
Assistant Director Corporate Resources	(151)	868	717
Head of Leisure & Health	(569)	1,476	907
Head of Operations	(96)	1,189	1,093
Head of 3C's ICT Shared Service	0	104	104
Planning Manager	(1)	2	1
Total	**(897)**	**3,757**	**2,860**

- **Commercial Investment Strategy**

1.1.7 A key part of the Council's previous Budget strategy has been the Commercial Investment Strategy (CIS), as approved by the Council in 2015. Although the Commercial Investments still contributes a significant proportion of income to our budgets, the property market remains challenging, never more so in the current climate. A change in investment emphasis over the next year in that acquisitions/investments are more likely to be focused on the redevelopment of Market Towns and housing related propositions. Due to the impact on the property market of Covid 19, retail and office space, it is difficult to predict how the market will emerge from this pandemic. The current profile of CIS related income is around the £4.5m and £4.9m per annum and is shown in **Table A** below.

Table A	Gross Income: Commercial Investment Strategy										
CIS Investment Type	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Budget 2021/22**	**Medium Term Financial Strategy 2022/23**	**2023/24**	**2024/25**	**2025/26**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Pre CIS Commercial Property Investments	(1,930)	(1,922)	(2,022)	(2,297)	(2,326)	(2,308)	(2,098)	(2,102)	(2,092)	(1,977)	(1,973)
New CIS Commercial Property Investments	(31)	(509)	(785)	(1,242)	(2,460)	(2,163)	(2,492)	(2,432)	(2,468)	(2,817)	(2,821)
"To be acquired" CIS Commercial Property Investments	0	10	(2,232)	(1,775)							
Total Commercial Property Investments	**(1,961)**	**(2,421)**	**(5,039)**	**(5,314)**	**(4,786)**	**(4,471)**	**(4,590)**	**(4,534)**	**(4,560)**	**(4,794)**	**(4,794)**
Property Fund	(20)	(111)	(162)	(162)	(169)	(169)	(162)	(162)	(162)	(162)	(162)
Total CIS Income	**(1,981)**	**(2,532)**	**(5,201)**	**(5,476)**	**(4,955)**	**(4,640)**	**(4,752)**	**(4,696)**	**(4,722)**	**(4,956)**	**(4,956)**

- **Capital – Revenue Implications**

1.1.8 The revenue budget contains any implications from the proposed capital programme for 2021/22 and the MTFS, whether that will be savings because of investment, additional running costs or the cost of borrowing (Minimum Revenue Provision).

- **Summary Impact of all budget changes – comparing Final Budget 2020/21 to Final Budget 2021/22**

1.1.9 Overall, the revenue changes to the budget in respect of Savings & Additional Income, Service Growth and Capital have resulted in a net increase in the Council's budget of £2.998m (14%) when compared to the 2020/21 Original Budget and an increase of £2.199m (11%) when compared to the December 2020/21 Forecast Outturn. A service by service summary is shown in **Table 2** below.

Table 2	Summary of Total Budget Movements (Original Budget for 2020/21 to Base Budget 2021/22)											
Service	**2020/21**		**2021/22**								**Variance**	
	Forecast Outturn	**Original Budget**	**Previously Approved Adjustmentss**	**Growth Bids: Growth**	**Savings**	**Increased Income**	**Linked to Capital**	**Inflation**	**Other Operational Adjustments**	**Proposed Budget**	**To 2020/21 Forecast**	**To 2020/21 Budget**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**%**	**%**
Chief Operating Officer	4,330	4,425	85	87	(64)	(16)	0	135	(218)	4,435	2%	0%
Assistant Director Transformation	303	401	(117)	30	0	0	0	86	(18)	383	26%	(5%)
Assistant Director Corporate Resources	5,390	5,899	444	868	(107)	(44)	0	113	(149)	7,025	30%	19%
Head of Leisure & Health	579	(215)	(259)	1,476	(569)	0	0	123	(34)	522	(10%)	(343%)
Head of Operations	4,037	3,347	(77)	1,189	(96)	0	0	39	6	4,408	9%	32%
Head of 3C's ICT Shared Service	2,128	2,139	(57)	31	0	0	73	18	49	2,253	6%	5%
Corporate Leadership Team	731	603	0	0	0	0	0	16	0	619	(15%)	3%
Programmes Delivery Manager	36	70	0	0	0	0	0	1	0	71	98%	2%
Housing Manager	208	177	0	0	0	0	0	2	0	180	(14%)	2%
Planning Manager	745	842	(0)	2	(1)	0	0	14	(66)	791	6%	(6%)
Net Expenditure	**18,487**	**17,688**	**18**	**3,684**	**(837)**	**(60)**	**73**	**548**	**(428)**	**20,686**		
Forecast Outturn	18,487				2,199					20,686	11%	
Budget		17,688			2,998					20,686		14%

1.2 Corporate and Government Funding

- **Government Grant**

1.2.1 The government provides a fair proportion of the core funding of the Council. Some of this funding is in relation to specific services e.g. Housing Benefit, but some of the funding is in support of general activity; with regard to:

- New Homes Bonus (NHB), on the 18th December the Government provisionally made an announcement in respect of New Homes Bonus and that the 2021/22 settlement is expected be £2.12m, this is £1.1m more than expected in the 20/21 MTFS. The Government's intention is to phase out the grant gradually being reduced to zero by 2023/24.

- On the 18th December, the Government provisionally confirmed that the Revenue Support Grant (RSG) 2021/22 would be zero, this was in line with what was expected. In the 2020/21 MTFS it was expected that the council would be in a negative RSG position from 2020/21 onwards. However, it is now largely expected that the Government would not enforce this position but would consider the grant to remain at zero. As the final decision is likely to be a part of the Fair Funding Review, the 2021/22 MTFS still provides for negative payments of RSG/Fair Funding Review of £82k for 2021/22 up to £408k by 2025/22 as a prudent measure.

Council Tax and Business Rates

1.2.2 There is an assumption within the 2021/22 Budget that there will be a Council Tax freeze and from 22/23 over the remaining term of the MTFS Council Tax will be increased by 2.6% per annum. Therefore, the Council Tax for 2021/22 will be £145.86 per Band D equivalent property. Members should note that when the Local Government Financial Settlement was announced, this confirmed the Council Tax threshold (also known as the Referendum Limit) as "the higher of 2% or £5" for a Band D property.

1.2.3 A Council Tax freeze is in line with what current local indicators show in respect of wage decrease (-0.3% Cambridgeshire April 19 to April 20)* and pensions increases (estimated 2.5% 2021/22)*.

* Source: UK government data

1.2.4 The Council receives 40% of the Business rates collected and, after allowing for the tariff payment, it estimates this to be £6.01m in 2021/22, this is a decrease of 10.7% from the previous year. The reduction assumes no growth within 2021/22 due to the uncertainty of businesses ability to survive once provision of furlough has been withdrawn. From 22/23, 2.5% has been allowed year on year over the MTFS period to reflect the annual inflation increases to the business rates multiplier.

Collection Fund (Surplus)/Deficit

1.2.5 The Collection Fund is the statutory account for the Council Tax and Business Rates income and the payments to preceptors of their respective shares. Any surplus or deficit on the Collection Fund at year end is distributed to the preceptors, as per legislation. The Council is required to make an estimate of the projected surplus or deficit of each component of the Collection Fund at year end in order for the preceptors to bring their share of the surplus or deficit into the budget setting process.

1.2.6 For the purposes of budget setting the Council Tax element of the estimated year end position of the Collection Fund is shown in **Table 3** below along with the share that is apportioned to the Council.

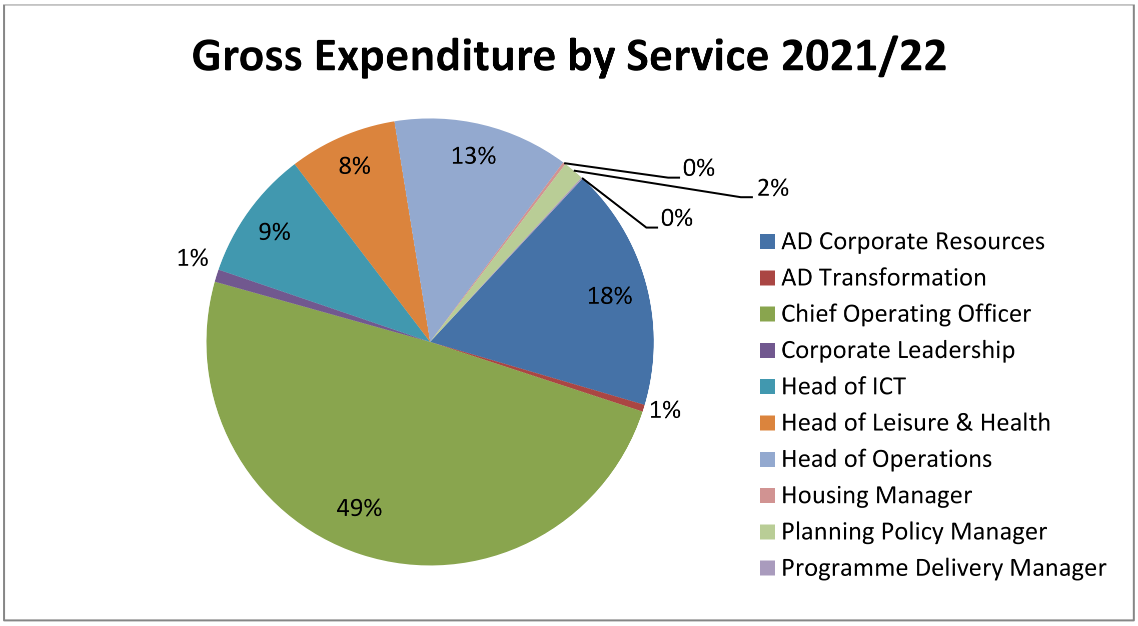
Table 3	**Collection Fund Estimated Surplus 2020/21**	
	(Surplus)/Deficit £000	**HDC Share £000**
Council Tax	(2,183)	(296)
Total	**(2,183)**	**(296)**

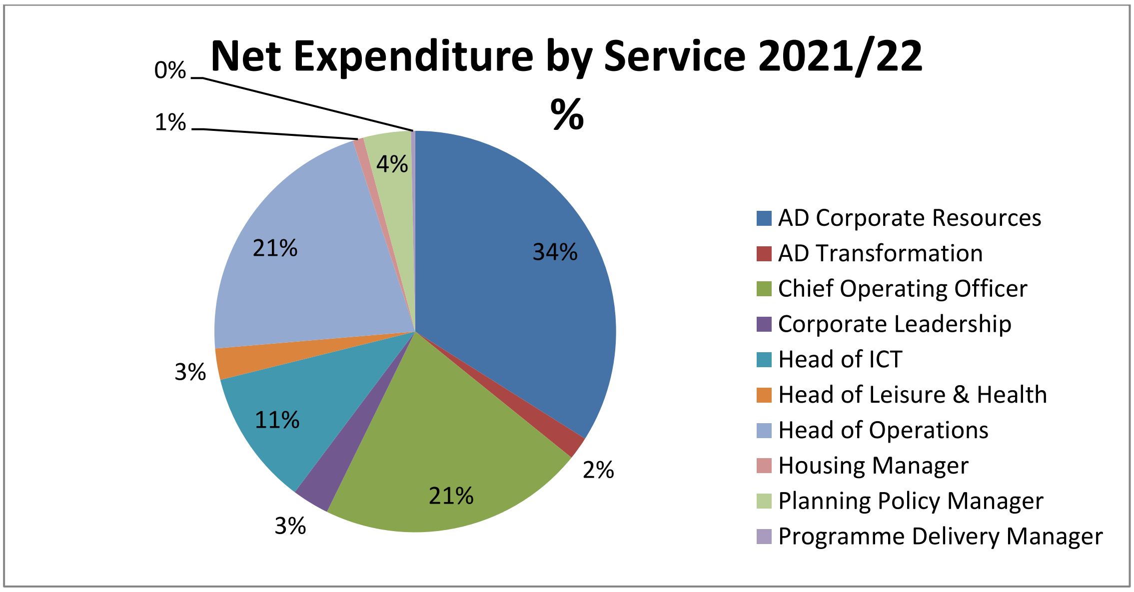
1.3 Summary Budget

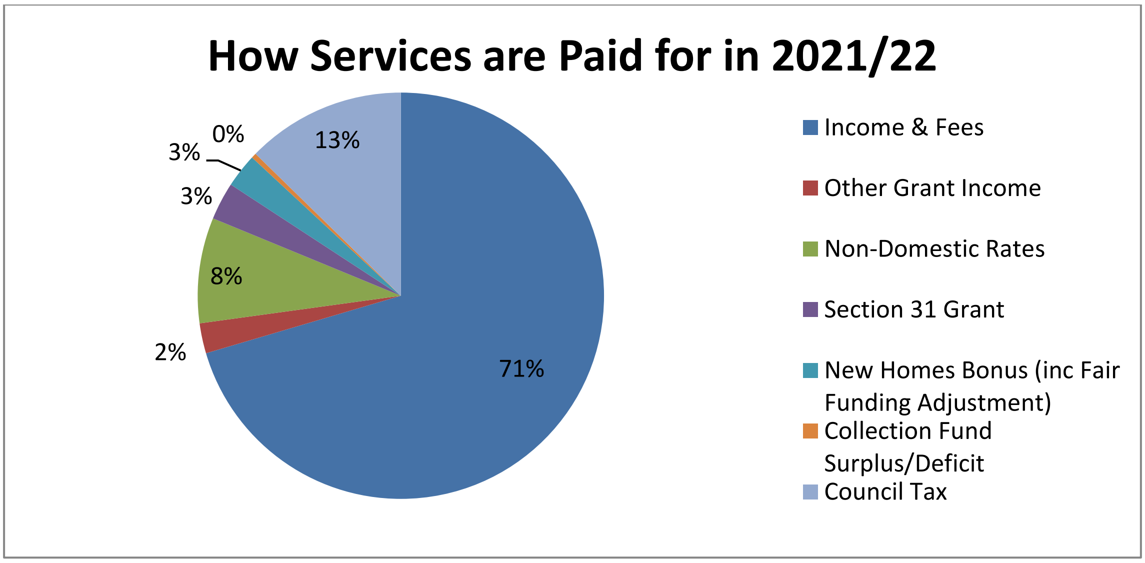
1.3.1 Considering the 0% increase in Council Tax for 2021/22 and over the MTFS period, this results in the funding statement shown in **Table 4** and **Table 5** below.

Table 4	Council Services Net Expenditure Budget (2020/21) and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget £000	Forecast (December) £000	Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Chief Operating Officer	4,425	4,330	4,435	4,617	4,679	4,853	4,992
Assistant Director Transformation	401	303	383	243	458	440	450
Assistant Director Corporate Resources	5,899	5,390	7,025	7,123	6,884	6,851	6,786
Head of Leisure & Health	(215)	579	522	(30)	(108)	(221)	(114)
Head of Operations	3,347	4,037	4,407	3,747	3,484	3,640	3,749
Head of 3C's ICT Shared Service	2,139	2,128	2,253	2,286	2,351	2,418	2,486
Corporate Leadership Team	603	731	619	631	643	656	668
Programmes Delivery Manager	70	36	71	72	74	75	77
Housing Manager	177	208	180	183	186	189	192
Planning Manager	842	745	791	708	727	777	796
Net Expenditure	**17,688**	**18,487**	**20,686**	**19,580**	**19,378**	**19,678**	**20,082**

Table 5	Council Funding Statement Budget (2020/21) and MTFS						
			Funding Streams and Council Tax Requirement				
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget £000	Forecast (December) £000	Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Net Expenditure	**17,688**	**18,487**	**20,686**	**19,580**	**19,378**	**19,678**	**20,082**
Contribution to/(from) Earmarked Reserves:	0						
- Commercial Investment Strategy	2,212	2,212				0	0
General Reserves	(1,256)	(1,149)	776	(883)	(621)	(338)	(177)
Budget Requirement	**18,644**	**19,550**	**21,462**	**18,697**	**18,757**	**19,340**	**19,905**
Non-Domestic Rates	(6,674)	(6,674)	(6,080)	(6,644)	(6,829)	(7,096)	(7,370)
Non-Domestic Rates (Growth Pilot)	0	0	0	0	0	0	0
S31 Grant	(1,579)	(2,403)	(2,176)	(2,213)	(2,250)	(2,287)	(2,287)
Revenue Support Grant (RSG)	0	0	0	0	0	0	0
Fair Funding Review Adjustment	82	0	82	163	245	326	408
New Homes Bonus	(2,212)	(2,212)	(2,014)	(427)	0	0	0
Collection Fund (Surplus) / Deficit	907	907	(296)	0	0	0	0
Council Tax Support Funding			(189)				
Income Compensation Scheme (Q1)			(595)				
Covid 19 Funding (tranche 5)			(758)				
Local Tier Service Grant			(195)				
Council Tax Requirement	**9,168**	**9,168**	**9,241**	**9,576**	**9,923**	**10,283**	**10,656**
- **Base (*)**	**62,854**	**62,854**	**63,355**	**63,989**	**64,628**	**65,275**	**65,927**
- **Per Band D**	**145.86**	**145.86**	**145.86**	**149.65**	**153.54**	**157.54**	**161.63**
- **Increase £**			**£ -**	**£ 3.79**	**£ 3.89**	**£ 3.99**	**£ 4.10**
- **Increase %**			**0.00%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**


Gross Expenditure by Service 2021/22
13%
8%
0%
2%
0%
9%
1%
18%
1%
49%
AD Corporate Resources
AD Transformation
Chief Operating Officer
Corporate Leadership
Head of ICT
Head of Leisure & Health
Head of Operations
Housing Manager
Planning Policy Manager
Programme Delivery Manager


Net Expenditure by Service 2021/22
%
0%
1%
4%
21%
34%
3%
11%
2%
21%
3%
AD Corporate Resources
AD Transformation
Chief Operating Officer
Corporate Leadership
Head of ICT
Head of Leisure & Health
Head of Operations
Housing Manager
Planning Policy Manager
Programme Delivery Manager


How Services are Paid for in 2021/22
0%
3%
13%
3%
8%
2%
71%
Income & Fees
Other Grant Income
Non-Domestic Rates
Section 31 Grant
New Homes Bonus (inc Fair Funding Adjustment)
Collection Fund Surplus/Deficit
Council Tax

1.4 Revenue Reserves

1.4.1 The impact on the General Fund Reserve of the grant settlement from Government, the Council's policy to increase Council Tax and the savings, income and growth built into the budget 2021/22 and MTFS is shown in **Table 6** below.

Table 6	Reserves and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget £000	Forecast £000	Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
GENERAL FUND (Unallocated) RESERVE							
b/f	**2,525**	**2,534**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Contribution to Reserve	*0*	*0*	*0*	*0*	*0*	*0*	0
Contribution from Reserve	*(1,256)*	*(1,149)*	*776*	*(883)*	*(621)*	*(338)*	*(177)*
Contribution from(to) Budget Surplus	1,384	790	(776)	883	621	338	177
c/f	**2,653**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Net Expenditure	17,688	18,487	20,686	19,580	19,378	19,678	20,082
Minimum Level of Reserves	**2,592**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
BUDGET SURPLUS RESERVE							
b/f	**3,031**	**4,774**	**3,984**	**4,760**	**3,877**	**3,256**	**2,918**
Contribution to Reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contribution from Reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contribution from (to) General Fund	(1,384)	(790)	776	(883)	(621)	(338)	(177)
Contribution from (to) CIS Reserve			0	0	0	0	
Contribution from (to) Earmarked Reserves	(58)						
c/f	**1,589**	**3,984**	**4,760**	**3,877**	**3,256**	**2,918**	**2,741**
COMMERCIAL INVESTMENT RESERVE							
b/f	**3,536**	**3,382**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**
Contribution to Reserve (former NHB)		*0*	*0*	*0*	*0*	*0*	*0*
Contribution from Reserve	*(38)*	*(196)*	*0*	*0*	*0*	*0*	*0*
Contribution from (to) General Fund	0	0	0	0	0	0	0
Contribution from (to) Budget Surplus Reserve	0	0	0	0	0	0	0
c/f	**3,498**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**	**3,186**

2.0 REVENUE OPERATIONAL BUDGETS AND MEDIUM TERM FINANCIAL STRATEGY

Table 7

2.1 Subjective Analysis of Spend and Income

Actuals 2019/20	Subjective Analysis : Controllable Only		2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£			£	£	£	£	£	£
0	**Income & Fees**	Commuted sums	(151)	(151)	(151)	(151)	(151)	(151)
(20,338)		Fees & charges	(17,678)	(14,796)	(15,698)	(16,352)	(16,579)	(16,607)
(30,373)		Government grants	(26,119)	(27,018)	(15,677)	(15,676)	(15,676)	(15,676)
(531)		Interest Income	(533)	(533)	(533)	(533)	(533)	(533)
(3,178)		Other grants and contributions	(3,247)	(3,211)	(3,258)	(3,260)	(3,262)	(3,268)
(4,938)		Rent	(6,047)	(4,803)	(4,760)	(4,847)	(5,036)	(5,036)
(1,159)		Sales	(1,007)	(725)	(1,003)	(1,013)	(1,013)	(1,013)
(60,517)	**Income & Fees Total**		**(54,782)**	**(51,236)**	**(41,080)**	**(41,832)**	**(42,250)**	**(42,284)**
198	**Employees**	Employee Insurance	216	335	335	335	335	335
1,670		Hired Staff	358	326	301	301	301	301
1,533		National Insurance	1,658	1,682	1,730	1,780	1,837	1,890
274		Other staff costs	1,696	1,698	1,696	1,694	1,692	1,692
4,297		Pension	3,067	3,114	3,178	3,235	3,308	3,374
73		Recruitment	92	117	115	118	118	118
17,830		Salary	19,162	18,760	19,378	19,624	20,043	20,451
32		Services	36	36	36	36	36	36
398		Severance payments	169	171	152	152	152	152
181		Training	131	130	130	130	130	130
56		Uniform & laundry	45	38	44	45	45	45
26,545	**Employees Total**		**26,630**	**26,407**	**27,095**	**27,449**	**27,996**	**28,524**
790	**Buildings**	Energy Costs	897	816	850	850	848	848
27		Ground Maintenance Costs	14	14	15	14	14	14
207		Premises Cleaning	226	231	177	163	163	163
97		Premises Insurance	104	122	123	124	124	125
11		Rates	7	7	7	7	7	7
7		Rents	13	13	13	13	13	13
1,377		Rents Payable	1,349	1,478	1,682	1,589	1,589	1,629
606		Repairs & Maintenance	704	709	746	781	758	762
172		Water Services	155	174	155	155	155	155
3,294	**Buildings Total**		**3,469**	**3,564**	**3,769**	**3,697**	**3,672**	**3,718**
20	**Supplies & Services**	Catering	22	22	22	22	22	22
1,225		Communication and computing	1,115	1,111	1,179	1,177	1,178	1,178
5,752		Equipment, furniture & materials	3,858	2,745	2,479	2,448	2,404	2,404
0		Expenses	0	0	0	0	0	0
101		Insurance - service related	79	88	89	91	92	92
361		Members Allowances	402	417	417	417	417	417
496		Office expenses	408	449	475	475	475	475
1		Other staff costs	0	0	0	0	0	0
6		Premises Cleaning	0	0	0	0	0	0
5		Repairs & Maintenance	0	0	0	0	0	0
6,490		Services	6,488	6,284	5,665	5,972	6,199	6,065
14,456	**Supplies & Services Total**		**12,373**	**11,116**	**10,326**	**10,602**	**10,787**	**10,654**
9	**Transport**	Contract Hire & operating leases	19	19	19	19	19	19
47		Mileage Allowance	62	61	61	61	61	61
912		Operating Costs	917	922	922	922	922	922
(0)		Pool Car	31	34	34	34	34	34
25		Public Transport	25	25	25	25	25	25
175		Vehicle Insurance	173	204	204	204	204	204
5		Other Transport Costs	0	0	0	0	0	0
1,174	**Transport Total**		**1,227**	**1,264**	**1,264**	**1,264**	**1,264**	**1,264**
29,716	**Benefit & Transfer Payments**	Benefits	26,102	26,875	15,521	15,521	15,521	15,521
1,213		Contributions paid	1,061	1,061	1,061	1,061	1,061	1,061
0		Discretionary Relief	39	0	0	0	0	0
936		Grants	829	836	826	826	836	836
0		Irrecoverable V A T	106	106	106	106	106	106
425		Levies	408	408	408	408	408	408
91		Other Misc Payments	7	7	7	7	7	7
32,381	**Benefit & Transfer Payments Total**		**28,550**	**29,292**	**17,928**	**17,928**	**17,938**	**17,938**
0	**Renewals Fund Contribution**	Renewals Fund Contribution	58	58	58	58	58	58
0	**Renewals Fund Contribution Total**		**58**	**58**	**58**	**58**	**58**	**58**
(146)	**Reserve-Revenue Transfers**	Bad Debts Provision	167	187	187	177	177	177
0		Reserve-Revenue Transfers	(4)	34	34	34	34	34
(146)	**Reserve-Revenue Transfers Total**		**163**	**221**	**221**	**211**	**211**	**211**
17,187	**Net Expenditure**		**17,688**	**20,686**	**19,582**	**19,377**	**19,677**	**20,082**
77,704	**Gross Service Expenditure**		72,470	71,922	60,661	61,209	61,927	62,366
(60,517)	**Gross Service Income**		(54,782)	(51,236)	(41,080)	(41,832)	(42,250)	(42,284)
17,187	**Net Service Expenditure**		**17,688**	**20,686**	**19,582**	**19,377**	**19,677**	**20,082**
	Budget Totals by Responsible Officer							
3,696	Chief Operating Officer		4,425	4,435	4,617	4,679	4,853	4,992
380	Assistant Director Transformation		401	383	243	458	440	450
5,430	Assistant Director Corporate Services		5,899	7,025	7,123	6,884	6,851	6,786
267	Head of Leisure & Health		(215)	522	(30)	(108)	(221)	(114)
3,419	Head of Operations		3,347	4,407	3,747	3,484	3,640	3,749
2,206	Head of 3C's ICT Shared Service		2,139	2,253	2,286	2,351	2,418	2,486
808	Corporate Leadership Team		603	619	631	643	656	668
19	Programmes Delivery Manager		70	71	72	74	75	77
139	Housing Manager		177	180	183	186	189	192
822	Planning Manager		842	791	708	727	777	796
17,187	**Net Service Expenditure Total**		**17,688**	**20,686**	**19,582**	**19,377**	**19,677**	**20,082**

2.2 Service Budgets by Head of Service

Table 8

Actuals 2019/20	Head of Service	Chief Operating Officer	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(4,375)	**Income & Fees**	Fees & charges	(4,072)	(3,925)	(3,763)	(3,785)	(3,776)	(3,776)
(29,830)		Government grants	(26,066)	(26,965)	(15,624)	(15,623)	(15,623)	(15,623)
(1)		Interest Income	0	0	0	0	0	0
(19)		Other grants and contributions	(3)	(3)	(3)	(3)	(3)	(3)
(126)		Rent	(110)	(110)	(110)	(110)	(110)	(110)
(15)		Sales	(7)	(7)	(7)	(7)	(7)	(7)
(34,365)	**Income & Fees Total**		**(30,259)**	**(31,011)**	**(19,508)**	**(19,529)**	**(19,520)**	**(19,520)**
181	**Employees**	Hired Staff	0	0	0	0	0	0
428		National Insurance	469	475	489	500	517	531
22		Other staff costs	23	23	23	23	23	23
745		Pension	815	824	838	852	871	888
22		Recruitment	0	0	0	0	0	0
4,548		Salary	4,989	5,028	5,101	5,170	5,298	5,405
2		Services	3	3	3	3	3	3
56		Severance payments	0	10	0	0	0	0
6		Training	5	6	6	6	6	6
3		Uniform & laundry	1	(1)	1	1	1	1
6,012	**Employees Total**		**6,305**	**6,368**	**6,461**	**6,554**	**6,718**	**6,857**
22	**Buildings**	Energy Costs	28	28	28	28	28	28
0		Ground Maintenance Costs	0	0	0	0	0	0
0		Premises Cleaning	0	0	0	0	0	0
0		Premises Insurance	0	0	0	0	0	0
(1)		Rents Payable	2	2	2	2	2	2
9		Repairs & Maintenance	18	18	18	18	18	18
42		Water Services	28	28	28	28	28	28
73	**Buildings Total**		**76**	**76**	**76**	**76**	**76**	**76**
2	**Supplies & Services**	Catering	1	1	1	1	1	1
113		Communication and computing	114	114	114	114	114	114
158		Equipment, furniture & materials	158	75	74	74	74	74
0		Expenses	0	0	0	0	0	0
0		Insurance - service related	0	0	0	0	0	0
52		Office expenses	13	75	75	75	75	75
1		Other staff costs	0	0	0	0	0	0
3		Repairs & Maintenance	0	0	0	0	0	0
483		Services	464	390	332	332	332	332
0		Uniform & laundry	0	0	0	0	0	0
812	**Supplies & Services Total**		**750**	**656**	**597**	**597**	**597**	**597**
0	**Transport**	Contract Hire & operating leases	0	0	0	0	0	0
14		Mileage Allowance	24	24	24	24	24	24
2		Operating Costs	10	7	7	7	7	7
33		Pool Car	21	24	24	24	24	24
5		Public Transport	9	9	9	9	9	9
5		Other Transport Costs	0	0	0	0	0	0
58	**Transport Total**		**63**	**63**	**63**	**63**	**63**	**63**
29,716	**Benefit & Transfer Payments**	Benefits	26,102	26,875	15,521	15,521	15,521	15,521
1,120		Contributions paid	984	984	984	984	984	984
302		Grants	253	253	253	253	253	253
0		Irrecoverable V A T	6	6	6	6	6	6
84		Other Misc Payments	0	0	0	0	0	0
31,222	**Benefit & Transfer Payments Total**		**27,344**	**28,117**	**16,763**	**16,763**	**16,763**	**16,763**
0	**Renewals Fund Contribution**	Renewals Fund Contribution	8	8	8	8	8	8
0	**Renewals Fund Contribution Total**		**8**	**8**	**8**	**8**	**8**	**8**
(116)	**Reserve-Revenue Transfers**	Bad Debts Provision	137	157	157	147	147	147
(116)	**Reserve-Revenue Transfers Total**		**137**	**157**	**157**	**147**	**147**	**147**
3,696	**Net Expenditure**		**4,425**	**4,435**	**4,617**	**4,679**	**4,853**	**4,992**

38,062	**Gross Service Expenditure**	34,684	35,446	24,125	24,209	24,373	24,512
(34,365)	**Gross Service Income**	(30,259)	(31,011)	(19,508)	(19,529)	(19,520)	(19,520)
3,696	**Net Service Expenditure**	**4,425**	**4,435**	**4,617**	**4,679**	**4,853**	**4,992**

89	Building Control	153	153	153	153	153	153
287	Business Team	278	274	289	285	291	297
52	Chief Operating Officer	103	128	130	133	135	138
1	Closed Churchyards	(13)	(13)	(13)	(13)	(13)	(13)
538	Community Team	541	581	588	595	612	620
55	Corporate Health & Safety	65	84	86	87	89	90
(135)	Council Tax Support	(122)	(116)	(115)	(114)	(114)	(114)
785	Customer Services	888	900	890	910	929	949
(429)	Development Management	(426)	(594)	(450)	(424)	(397)	(370)
247	Document Centre	176	192	185	188	192	196
20	Emergency Planning	12	12	12	12	12	12
99	Environmental Health Admin	144	132	129	131	134	137
327	Environmental Protection Team	375	384	393	401	409	417
79	Head of Community	0	0	0	0	0	0
0	Head of Customer Services	0	0	0	0	0	0
80	Head of Development	0	0	0	0	0	0
984	Housing Benefits	1,371	1,430	1,431	1,465	1,499	1,535
3	Housing Miscellaneous	26	27	28	30	31	33
952	Housing Needs	1,146	1,142	1,155	1,110	1,153	1,169
(128)	Licencing	(63)	(53)	(47)	(41)	(34)	(28)
(211)	Local Tax Collection	(228)	(228)	(228)	(228)	(228)	(228)
3,696	**Net Service Expenditure**	**4,425**	**4,435**	**4,617**	**4,679**	**4,853**	**4,992**

Table 9

Actuals 2019/20	Head of Service	AD Transformation	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
0	**Income & Fees**	Fees & charges	0	0	0	0	0	0
(12)		Government grants	0	0	0	0	0	0
0		Other grants and contributions	0	0	0	0	0	0
(12)	**Income & Fees Total**		**0**	**0**	**0**	**0**	**0**	**0**
4	**Employees**	Hired Staff	0	0	0	0	0	0
24		National Insurance	32	39	40	41	42	43
0		Other staff costs	0	0	0	0	0	0
37		Pension	47	61	62	63	65	66
0		Recruitment	5	5	5	5	5	5
209		Salary	377	366	264	266	237	244
0		Services	0	0	0	0	0	0
0		Training	10	8	8	8	8	8
0		Uniform & laundry	0	0	0	0	0	0
275	**Employees Total**		**470**	**479**	**379**	**384**	**356**	**366**
1	**Buildings**	Rents Payable	0	0	0	0	0	0
1		Repairs & Maintenance	0	0	0	0	0	0
1	**Buildings Total**		**0**	**0**	**0**	**0**	**0**	**0**
0	**Supplies & Services**	Catering	0	0	0	0	0	0
1		Communication and computing	0	0	0	0	0	0
86		Equipment, furniture & materials	45	102	102	102	102	102
1		Office expenses	1	1	1	1	1	1
28		Services	(116)	(199)	(229)	(19)	(19)	(19)
115	**Supplies & Services Total**		**(70)**	**(97)**	**(126)**	**84**	**84**	**84**
0	**Transport**	Mileage Allowance	0	0	0	0	0	0
0		Pool Car	0	0	0	0	0	0
0		Public Transport	1	1	1	1	1	1
1	**Transport Total**		**1**	**1**	**1**	**1**	**1**	**1**
0	**Benefit & Transfer Payments**	Grants	0	0	(10)	(10)	0	0
0	**Benefit & Transfer Payments Total**		**0**	**0**	**(10)**	**(10)**	**0**	**0**
380	**Net Expenditure**		**401**	**383**	**243**	**458**	**440**	**450**

392	**Gross Service Expenditure**	401	383	243	458	440	450
(12)	**Gross Service Income**	0	0	0	0	0	0
380	**Net Service Expenditure**	**401**	**383**	**243**	**458**	**440**	**450**

Table 10

Actuals 2019/20	Head of Service	AD Corporate Resources	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(956)	**Income & Fees**	Fees & charges	(582)	(418)	(405)	(407)	(421)	(422)
(417)		Government grants	(17)	(17)	(17)	(17)	(17)	(17)
(530)		Interest Income	(533)	(533)	(533)	(533)	(533)	(533)
0		Other grants and contributions	(5)	(5)	(5)	(5)	(5)	(5)
(4,751)		Rent	(5,900)	(4,656)	(4,613)	(4,700)	(4,889)	(4,889)
(3)		Sales	0	0	0	0	0	0
(6,657)	**Income & Fees Total**		**(7,037)**	**(5,629)**	**(5,573)**	**(5,662)**	**(5,866)**	**(5,866)**
198	**Employees**	Employee Insurance	216	334	334	334	334	334
548		Hired Staff	74	47	22	22	22	22
157		National Insurance	197	185	190	196	202	207
18		Other staff costs	1,592	1,590	1,590	1,590	1,590	1,590
1,858		Pension	347	343	350	357	364	372
13		Recruitment	0	23	21	21	21	21
1,832		Salary	1,996	1,820	2,054	1,965	2,007	2,048
30		Services	33	33	33	33	33	33
298		Severance payments	169	160	152	152	152	152
87		Training	62	62	62	62	62	62
2		Uniform & laundry	0	0	0	0	0	0
5,040	**Employees Total**		**4,687**	**4,599**	**4,810**	**4,733**	**4,788**	**4,843**
200	**Buildings**	Energy Costs	195	189	189	189	187	187
0		Ground Maintenance Costs	0	0	0	0	0	0
93		Premises Cleaning	97	98	49	35	35	35
97		Premises Insurance	103	122	123	124	124	125
7		Rates	7	7	7	7	7	7
577		Rents Payable	549	653	833	715	689	703
175		Repairs & Maintenance	235	284	280	260	255	255
12		Water Services	11	12	12	12	12	12
1,161	**Buildings Total**		**1,198**	**1,364**	**1,492**	**1,341**	**1,309**	**1,323**
4	**Supplies & Services**	Catering	3	3	3	3	3	3
149		Communication and computing	201	109	152	152	152	152
0		Election Costs	0	0	0	0	0	0
120		Equipment, furniture & materials	89	94	95	95	95	95
91		Insurance - service related	75	84	85	87	88	88
361		Members Allowances	402	417	417	417	417	417
256		Office expenses	140	150	176	176	176	176
0		Other staff costs	0	0	0	0	0	0
0		Penalties & Fines	0	0	0	0	0	0
0		Premises Cleaning	0	0	0	0	0	0
0		Repairs & Maintenance	0	0	0	0	0	0
4,186		Services	5,338	4,994	4,627	4,702	4,849	4,715
5,166	**Supplies & Services Total**		**6,249**	**5,851**	**5,554**	**5,631**	**5,779**	**5,646**
1	**Transport**	Contract Hire & operating leases	0	0	0	0	0	0
8		Mileage Allowance	11	11	11	11	11	11
0		Operating Costs	0	0	0	0	0	0
5		Pool Car	3	3	3	3	3	3
3		Public Transport	3	3	3	3	3	3
165		Vehicle Insurance	171	202	202	202	202	202
182	**Transport Total**		**188**	**219**	**219**	**219**	**219**	**219**
93	**Benefit & Transfer Payments**	Contributions paid	77	77	77	77	77	77
0		Discretionary Relief	39	0	0	0	0	0
45		Grants	33	40	40	40	40	40
0		Irrecoverable V A T	26	26	26	26	26	26
425		Levies	408	408	408	408	408	408
6		Other Misc Payments	6	6	6	6	6	6
569	**Benefit & Transfer Payments Total**		**588**	**556**	**556**	**556**	**556**	**556**
(31)	**Reserve-Revenue Transfers**	Bad Debts Provision	30	30	30	30	30	30
0		Reserve-Revenue Transfers	(4)	34	34	34	34	34
(31)	**Reserve-Revenue Transfers Total**		**26**	**64**	**64**	**64**	**64**	**64**
5,430	**Net Expenditure**		**5,899**	**7,025**	**7,123**	**6,884**	**6,851**	**6,786**

12,087	**Gross Service Expenditure**	12,936	12,654	12,696	12,545	12,716	12,652
(6,657)	**Gross Service Income**	(7,037)	(5,629)	(5,573)	(5,662)	(5,866)	(5,866)
5,430	**Net Service Expenditure**	**5,899**	**7,025**	**7,123**	**6,884**	**6,851**	**6,786**

(3,471)	Commercial Estates	(3,587)	(2,729)	(2,580)	(2,760)	(2,995)	(3,020)
4,905	Corporate Finance	5,136	5,333	5,266	5,347	5,459	5,360
705	Democratic & Elections	831	866	860	733	741	750
305	Environmental & Energy Mgt	219	204	273	279	285	290
618	Facilities Management	865	862	831	786	835	854
950	Finance	795	783	798	811	825	839
82	Head of Resources	106	108	110	112	114	117
414	Human Resources	589	507	487	494	500	507
207	Legal	224	224	224	224	224	224
59	Procurement	62	48	35	36	37	39
23	Public Conveniences	6	6	6	6	6	6
633	Risk Management	653	811	813	816	818	820
5,430	**Net Service Expenditure**	**5,899**	**7,025**	**7,123**	**6,884**	**6,851**	**6,786**

Table 11

Actuals 2019/20	Head of Service	Head of Leisure & Health	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(5,892)	**Income & Fees**	Fees & charges	(6,405)	(4,474)	(4,905)	(5,073)	(5,253)	(5,255)
0		Government grants	0	0	0	0	0	0
(74)		Other grants and contributions	(49)	(55)	(54)	(55)	(56)	(61)
(5)		Rent	(5)	(5)	(5)	(5)	(5)	(5)
(716)		Sales	(785)	(533)	(790)	(800)	(800)	(800)
(6,687)	**Income & Fees Total**		**(7,244)**	**(5,067)**	**(5,755)**	**(5,933)**	**(6,115)**	**(6,122)**
10	**Employees**	Hired Staff	0	0	0	0	0	0
205		National Insurance	209	212	219	226	234	242
17		Other staff costs	(99)	(101)	(103)	(105)	(107)	(107)
407		Pension	463	473	483	493	503	513
3		Recruitment	77	79	79	82	82	82
3,737		Salary	3,770	3,450	3,727	3,807	3,888	3,970
0		Services	0	0	0	0	0	0
22		Training	0	0	0	0	0	0
5		Uniform & laundry	11	7	11	11	11	11
4,407	**Employees Total**		**4,430**	**4,120**	**4,415**	**4,514**	**4,611**	**4,710**
519	**Buildings**	Energy Costs	629	556	590	590	590	590
27		Ground Maintenance Costs	14	14	15	14	14	14
109		Premises Cleaning	117	122	117	117	117	117
481		Rents Payable	468	484	498	512	527	543
238		Repairs & Maintenance	190	149	190	190	190	190
91		Water Services	83	101	83	83	83	83
1,464	**Buildings Total**		**1,500**	**1,426**	**1,492**	**1,505**	**1,520**	**1,536**
12	**Supplies & Services**	Catering	17	17	17	17	17	17
83		Communication and computing	78	58	82	80	80	80
526		Equipment, furniture & materials	514	(511)	(785)	(816)	(860)	(860)
141		Office expenses	142	111	112	112	112	112
0		Premises Cleaning	0	0	0	0	0	0
296		Services	210	231	254	275	275	275
1,058	**Supplies & Services Total**		**960**	**(94)**	**(321)**	**(332)**	**(376)**	**(377)**
0	**Transport**	Contract Hire & operating leases	0	0	0	0	0	0
8		Mileage Allowance	10	9	9	9	9	9
14		Operating Costs	9	8	9	9	9	9
2		Public Transport	0	0	0	0	0	0
24	**Transport Total**		**19**	**18**	**18**	**18**	**18**	**18**
0	**Benefit & Transfer Payments**	Contributions paid	0	0	0	0	0	0
0		Irrecoverable V A T	70	70	70	70	70	70
0	**Benefit & Transfer Payments Total**		**70**	**70**	**70**	**70**	**70**	**70**
0	**Renewals Fund Contribution**	Renewals Fund Contribution	50	50	50	50	50	50
0	**Renewals Fund Contribution Total**		**50**	**50**	**50**	**50**	**50**	**50**
267	**Net Expenditure**		**(215)**	**522**	**(30)**	**(108)**	**(221)**	**(114)**

6,954	**Gross Service Expenditure**	7,029	5,589	5,725	5,825	5,893	6,008
(6,687)	**Gross Service Income**	(7,244)	(5,067)	(5,755)	(5,933)	(6,115)	(6,122)
267	**Net Service Expenditure**	**(215)**	**522**	**(30)**	**(108)**	**(221)**	**(114)**

83	Head of Leisure & Health	85	87	89	90	92	94
187	One Leisure Active Lifestyles	156	187	154	148	145	146
(3)	Leisure Centres Corporate	(456)	249	(272)	(346)	(459)	(354)
267	**Grand Total**	**(215)**	**522**	**(30)**	**(108)**	**(221)**	**(114)**

Table 12

Actuals 2019/20	Head of Service	Head of Operations	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
0	**Income & Fees**	Commuted sums	(151)	(151)	(151)	(151)	(151)	(151)
(4,815)		Fees & charges	(4,828)	(4,282)	(4,913)	(5,425)	(5,465)	(5,490)
(29)		Government grants	(16)	(16)	(16)	(16)	(16)	(16)
(85)		Other grants and contributions	(133)	(95)	(118)	(119)	(120)	(121)
(56)		Rent	(32)	(32)	(32)	(32)	(32)	(32)
(188)		Sales	(209)	(180)	(200)	(200)	(200)	(200)
(5,174)	**Income & Fees Total**		**(5,368)**	**(4,755)**	**(5,429)**	**(5,942)**	**(5,983)**	**(6,009)**
0	**Employees**	Employee Insurance	0	0	0	0	0	0
555		Hired Staff	209	204	204	204	204	204
340		National Insurance	363	371	382	395	411	423
165		Other staff costs	143	148	148	148	148	148
621		Pension	740	748	767	778	799	815
6		Recruitment	0	0	0	0	0	0
3,804		Salary	4,286	4,320	4,380	4,489	4,607	4,698
0		Services	0	0	0	0	0	0
16		Severance payments	0	0	0	0	0	0
6		Training	1	1	1	1	1	1
47		Uniform & laundry	32	32	32	32	32	32
5,561	**Employees Total**		**5,773**	**5,824**	**5,913**	**6,047**	**6,202**	**6,322**
49	**Buildings**	Energy Costs	45	43	43	43	43	43
0		Ground Maintenance Costs	1	1	1	1	1	1
5		Premises Cleaning	11	11	11	11	11	11
0		Premises Insurance	0	0	0	0	0	0
4		Rates	0	0	0	0	0	0
7		Rents	13	13	13	13	13	13
316		Rents Payable	327	337	347	357	368	379
171		Repairs & Maintenance	256	252	253	307	289	294
26		Water Services	33	33	33	33	33	33
579	**Buildings Total**		**686**	**690**	**701**	**765**	**758**	**774**
1	**Supplies & Services**	Catering	0	0	0	0	0	0
125		Communication and computing	32	32	32	32	32	32
416		Equipment, furniture & materials	476	441	441	441	441	441
10		Insurance - service related	4	4	4	4	4	4
44		Office expenses	66	66	66	66	66	66
6		Premises Cleaning	0	0	0	0	0	0
1		Repairs & Maintenance	0	0	0	0	0	0
549		Services	278	698	613	663	713	713
1,152	**Supplies & Services Total**		**857**	**1,241**	**1,156**	**1,206**	**1,256**	**1,256**
8	**Transport**	Contract Hire & operating leases	18	18	18	18	18	18
1		Mileage Allowance	4	4	4	4	4	4
896		Operating Costs	898	906	906	906	906	906
(42)		Pool Car	3	3	3	3	3	3
3		Public Transport	1	1	1	1	1	1
9		Vehicle Insurance	1	1	1	1	1	1
0		Other Transport Costs	0	0	0	0	0	0
874	**Transport Total**		**924**	**932**	**932**	**932**	**932**	**932**
0	**Benefit & Transfer Payments**	Contributions paid	0	0	0	0	0	0
427		Grants	471	471	471	471	471	471
0		Irrecoverable V A T	4	4	4	4	4	4
427	**Benefit & Transfer Payments Total**		**475**	**475**	**475**	**475**	**475**	**475**
3,419	**Net Expenditure**		**3,347**	**4,407**	**3,747**	**3,484**	**3,640**	**3,749**

8,593	**Gross Service Expenditure**	8,715	9,162	9,177	9,426	9,623	9,759
(5,174)	**Gross Service Income**	(5,368)	(4,755)	(5,429)	(5,942)	(5,983)	(6,009)
3,419	**Net Service Expenditure**	**3,347**	**4,407**	**3,747**	**3,484**	**3,640**	**3,749**

(31)	Car Park - On Street	(132)	(132)	(132)	(132)	(132)	(132)
(1,441)	Car Parks - Off Street	(1,445)	(547)	(1,071)	(1,487)	(1,494)	(1,473)
(64)	CCTV	(89)	(91)	(114)	(115)	(116)	(117)
315	CCTV Shared Service	233	219	228	236	245	254
281	Countryside	255	317	168	154	127	111
253	Fleet Management	300	311	315	320	325	330
614	Green Spaces	499	479	533	548	562	577
87	Head of Operations	83	88	60	29	63	65
(15)	Markets	(35)	(43)	(41)	(39)	(37)	(35)
272	Parks and Open Spaces	354	330	335	340	345	350
791	Street Cleansing	804	740	775	795	816	832
2,357	Waste Management	2,518	2,736	2,692	2,835	2,936	2,988
3,419	**Net Service Expenditure**	**3,347**	**4,407**	**3,747**	**3,484**	**3,640**	**3,749**

Table 13

Actuals 2019/20	Head of Service	Head of ICT	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(3,817)	**Income & Fees**	Fees & charges	(1,427)	(1,427)	(1,440)	(1,440)	(1,440)	(1,440)
0		Government grants	0	0	0	0	0	0
(2,999)		Other grants and contributions	(3,057)	(3,052)	(3,078)	(3,078)	(3,078)	(3,078)
(236)		Sales	(5)	(5)	(5)	(5)	(5)	(5)
(7,052)	**Income & Fees Total**		**(4,489)**	**(4,484)**	**(4,523)**	**(4,523)**	**(4,523)**	**(4,523)**
0	**Employees**	Employee Insurance	0	0	0	0	0	0
367		Hired Staff	74	74	74	74	74	74
253		National Insurance	250	256	263	270	278	285
53		Other staff costs	37	37	37	37	37	37
419		Pension	431	436	444	453	462	471
19		Recruitment	10	10	10	10	10	10
2,481		Salary	2,442	2,449	2,497	2,547	2,597	2,649
0		Services	0	0	0	0	0	0
8		Severance payments	0	0	0	0	0	0
56		Training	44	44	44	44	44	44
0		Uniform & laundry	1	1	1	1	1	1
3,656	**Employees Total**		**3,290**	**3,307**	**3,371**	**3,437**	**3,503**	**3,571**
1	**Buildings**	Rents Payable	0	0	0	0	0	0
12		Repairs & Maintenance	6	6	6	6	6	6
13	**Buildings Total**		**7**	**7**	**7**	**7**	**7**	**7**
1	**Supplies & Services**	Catering	1	1	1	1	1	1
745		Communication and computing	683	782	782	782	782	782
4,438		Equipment, furniture & materials	2,571	2,540	2,548	2,548	2,548	2,548
0		Expenses	0	0	0	0	0	0
0		Insurance - service related	0	0	0	0	0	0
(30)		Office expenses	12	12	12	12	12	12
410		Services	42	65	65	65	65	65
0		Telecommunications	0	0	0	0	0	0
5,563	**Supplies & Services Total**		**3,309**	**3,400**	**3,408**	**3,408**	**3,408**	**3,408**
0	**Transport**	Contract Hire & operating leases	1	1	1	1	1	1
14		Mileage Allowance	10	10	10	10	10	10
0		Operating Costs	0	0	0	0	0	0
3		Pool Car	4	4	4	4	4	4
8		Public Transport	8	8	8	8	8	8
1		Vehicle Insurance	0	0	0	0	0	0
27	**Transport Total**		**23**	**23**	**23**	**23**	**23**	**23**
0	**Benefit & Transfer Payments**	Contributions paid	0	0	0	0	0	0
0		Other Misc Payments	0	0	0	0	0	0
0	**Benefit & Transfer Payments Total**		**0**	**0**	**0**	**0**	**0**	**0**
2,206	**Net Expenditure**		**2,139**	**2,253**	**2,286**	**2,351**	**2,418**	**2,486**

9,258	**Gross Service Expenditure**	6,628	6,737	6,809	6,874	6,941	7,009
(7,052)	**Gross Service Income**	(4,489)	(4,484)	(4,523)	(4,523)	(4,523)	(4,523)
2,206	**Net Service Expenditure**	**2,139**	**2,253**	**2,286**	**2,351**	**2,418**	**2,486**

Table 14

Actuals 2019/20	Head of Service	Corporate Leadership	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
0	**Employees**	Hired Staff	0	0	0	0	0	0
65		National Insurance	51	53	54	55	56	58
0		Other staff costs	0	0	0	0	0	0
100		Pension	76	78	80	81	83	84
0		Recruitment	0	0	0	0	0	0
579		Salary	439	451	460	469	479	488
0		Services	0	0	0	0	0	0
20		Severance payments	0	0	0	0	0	0
4		Training	9	9	9	9	9	9
769	**Employees Total**		**574**	**591**	**603**	**614**	**627**	**639**
1	**Buildings**	Rents Payable	0	0	0	0	0	0
1	**Buildings Total**		**0**	**0**	**0**	**0**	**0**	**0**
1	**Supplies & Services**	Catering	1	1	1	1	1	1
3		Communication and computing	1	1	1	1	1	1
0		Election Costs	0	0	0	0	0	0
3		Equipment, furniture & materials	0	0	0	0	0	0
20		Office expenses	18	18	18	18	18	18
0		Other staff costs	0	0	0	0	0	0
7		Services	5	5	5	5	5	5
33	**Supplies & Services Total**		**24**	**24**	**24**	**24**	**24**	**24**
0	**Transport**	Contract Hire & operating leases	0	0	0	0	0	0
2		Mileage Allowance	2	2	2	2	2	2
0		Operating Costs	0	0	0	0	0	0
0		Pool Car	0	0	0	0	0	0
3		Public Transport	1	1	1	1	1	1
5	**Transport Total**		**4**	**4**	**4**	**4**	**4**	**4**
0	**Benefit & Transfer Payments**	Grants	0	0	0	0	0	0
1		Other Misc Payments	1	1	1	1	1	1
1	**Benefit & Transfer Payments Total**		**1**	**1**	**1**	**1**	**1**	**1**
808	**Net Expenditure**		**603**	**619**	**631**	**643**	**656**	**668**

808	**Gross Service Expenditure**	603	619	631	643	656	668
0	**Gross Service Income**	0	0	0	0	0	0
808	**Net Service Expenditure**	**603**	**619**	**631**	**643**	**656**	**668**

Table 15

Actuals 2019/20	Head of Service	Programme Delivery Manager	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
0	**Employees**	National Insurance	6	6	6	7	7	7
0		Pension	9	9	10	10	10	10
0		Recruitment	0	0	0	0	0	0
0		Salary	54	55	56	57	58	59
0	**Employees Total**		**69**	**70**	**72**	**73**	**75**	**76**
0	**Supplies & Services**	Office expenses	0	0	0	0	0	0
19		Services	0	0	0	0	0	0
19	**Supplies & Services Total**		**0**	**0**	**0**	**0**	**0**	**0**
0	**Transport Total**		**1**	**1**	**1**	**1**	**1**	**1**
19	**Net Expenditure**		**70**	**71**	**72**	**74**	**75**	**77**

Table 16

Actuals 2019/20	Head of Service	Housing Manager	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
6	**Employees**	Hired Staff	0	0	0	0	0	0
6		National Insurance	11	13	13	13	14	14
11		Pension	20	20	21	21	22	22
63		Salary	116	117	120	122	125	127
0		Services	0	0	0	0	0	0
86	**Employees Total**		**148**	**150**	**153**	**156**	**160**	**163**
0	**Supplies & Services**	Catering	0	0	0	0	0	0
1		Communication and computing	0	1	1	1	1	1
0		Office expenses	0	1	1	1	1	1
27		Services	0	0	0	0	0	0
28	**Supplies & Services Total**		**1**	**1**	**1**	**1**	**1**	**1**
0	**Transport**	Mileage Allowance	1	0	0	0	0	0
0		Pool Car	0	0	0	0	0	0
0		Public Transport	0	0	0	0	0	0
0	**Transport Total**		**1**	**0**	**0**	**0**	**0**	**0**
24	**Benefit & Transfer Payments**	Grants	28	28	28	28	28	28
24	**Benefit & Transfer Payments Total**		**28**	**28**	**28**	**28**	**28**	**28**
139	**Net Expenditure**		**177**	**180**	**183**	**186**	**189**	**192**

Table 17

Actuals 2019/20	Head of Service	Planning Policy Manager	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(483)	**Income & Fees**	Fees & charges	(364)	(270)	(271)	(222)	(223)	(224)
(86)		Government grants	(20)	(20)	(20)	(20)	(20)	(20)
0		Rent	0	0	0	0	0	0
(0)		Sales	(1)	(0)	(0)	(0)	(0)	(0)
(569)	**Income & Fees Total**		**(384)**	**(291)**	**(292)**	**(243)**	**(244)**	**(245)**
0	**Employees**	Hired Staff	0	0	0	0	0	0
55		National Insurance	69	72	74	76	78	80
0		Other staff costs	0	1	1	1	1	1
99		Pension	120	122	124	127	129	132
10		Recruitment	0	0	0	0	0	0
576		Salary	693	704	718	733	748	763
0		Services	0	0	0	0	0	0
0		Training	0	0	0	0	0	0
(0)		Uniform & laundry	0	0	0	0	0	0
740	**Employees Total**		**883**	**899**	**918**	**937**	**956**	**976**
1	**Buildings**	Rents Payable	2	2	2	2	2	2
0		Repairs & Maintenance	0	0	0	0	0	0
1	**Buildings Total**		**2**	**2**	**2**	**2**	**2**	**2**
0	**Supplies & Services**	Catering	0	0	0	0	0	0
6		Communication and computing	6	14	15	15	16	16
0		Election Costs	0	0	0	0	0	0
6		Equipment, furniture & materials	4	5	5	5	5	5
0		Expenses	0	0	0	0	0	0
12		Office expenses	16	15	15	15	15	15
485		Services	266	99	(3)	(53)	(22)	(22)
510	**Supplies & Services Total**		**293**	**133**	**32**	**(18)**	**14**	**14**
1	**Transport**	Mileage Allowance	1	1	1	1	1	1
1		Pool Car	1	1	1	1	1	1
2		Public Transport	2	2	2	2	2	2
3	**Transport Total**		**4**	**4**	**4**	**4**	**4**	**4**
0	**Benefit & Transfer Payments**	Contributions paid	0	0	0	0	0	0
138		Grants	45	45	45	45	45	45
138	**Benefit & Transfer Payments Total**		**45**	**45**	**45**	**45**	**45**	**45**
822	**Net Expenditure**		**842**	**791**	**708**	**727**	**777**	**796**

3.0 CAPITAL

3.1 The detailed Draft Capital Programme for the period 2021/22 to 2025/26 is shown in **Table 18** below, along with the sources of finance. The revenue implications of the individual capital proposals are built into the individual revenue budgets and the impact of the proposed programme on the 2021/22 Minimum Revenue Position (MRP) is £2.76m**.** Over the remainder of the MTFS the MRP is cost neutral, based on changing the funding assumptions for the capital programme and seeking external contributions or grant funding. The ongoing burden in the revenue account for MRP is unsustainable.

Table 18

Capital Programme	**Budget**	**Medium Term Financial Strategy**				
	2020/21 £000s	**2021/22 £000s**	**2022/23 £000s**	**2023/24 £000s**	**2024/25 £000s**	**2025/26 £000s**
Gross Expenditure						
Chief Operating Officer						
Disabled Facilities Grants	2,250	1,850	1,800	1,650	1,600	1,600
Conservation Area Appraisal Programme		47	47	47	47	47
Corporate Resources						
A14 Upgrade	200	200	200	200	200	200
Huntingdon Redevelopment (rephased)	8,500	0	7,595			
St Ives Redevelopment				6,800	8,500	1,700
Leisure and Health						
One Leisure Improvements	306	296	285	300	0	0
Replacement Corporate Scanners		110				
Assistance Director of Resources						
Alms Close Development	665					
Oak Tree Remedial Works	1,000					
Energy Efficiency Works at Commercial Properties	25	10	10	0		
VAT Partial Exemption	59	24	21	21	18	18
Replacement Building Management System (BMS) - PFH		115				
Capita Upgrade and 3DSecure2 SCA and payment portal Upgrade		15				
Commercial estates capital for works, enhancements and re-lettings		565	250			
3C ICT						
Hardware Replacement			130	130		
Generator - 3ICT Backup	27					
Data Centre Storage	23					
Wi-Fi access points	12					
Mobile Phones Replacement		65				
Telephony Replacement		200	8	8	8	8
Extend compute capacity in shared data centre		39				
Information@Work Consolidation		20				
GIS Test Environment		16				
Operations						
Civil Parking Enforcement	217					
Fencing	12	13	13	13	13	
Lighting - Loves Farm Footpath	16					
Wheeled Bins	238	254	254	254	254	254
Vehicle Fleet Replacement	1,199	1,396	1,085	1,457	741	
Play Equipment	53	30	30	30	30	
Secure cycle storage	58	88				
Parking Strategy	37	80				
District wide signage	70					
Replacement Corporate Scanners		25				
Additional EV Charging Points		30				
Play Area Fencing						
Hinchingbrook Country Park	1,550					
Transformation						
AV Equipment	30	15	15			
Customer Portal and Call Centre Software	30					
Voice Bots	34					
Customer Relationship Management		16				
Economic Development						
Future High Streets - St Neots		12,300				
Market Towns Programme		350	675	550	150	50
Total Gross Expenditure	**16,611**	**18,169**	**12,418**	**11,460**	**11,561**	**3,877**

Capital Programme	Budget	Medium Term Financial Strategy				
	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Financing						
Grants and Contributions						
DFGs	(1,300)	(1,350)	(1,350)	(1,300)	(1,300)	(1,300)
Pathfinder House Reception						
Wheeled bins	(93)	(101)	(101)	(101)	(101)	(101)
Combined Authority/MHCLG/CIL Grant Funding		(12,650)	(675)	(550)	(150)	(50)
Huntingdon Decvelopment			(7,595)			
One Leisure Huntingdon Changing Rooms						
Synthetic Pitch						
One Leisure 3G Ramsey						
Back Office Reserve						
Total Grants and Contributions	**(1,393)**	**(14,101)**	**(9,721)**	**(1,951)**	**(1,551)**	**(1,451)**
Capital Receipts						
Sst Ives Redevelopment			0	(6,800)	(8,500)	(1,700)
Housing Clawback Receipts	(500)	(500)	(450)	(350)	(300)	(300)
CIS		(565)	(250)			
Total Capital Receipts	**(500)**	**(1,065)**	**(700)**	**(7,150)**	**(8,800)**	**(2,000)**
Net to be funded by borrowing (Internal)	**15,218**	**3,003**	**1,997**	**2,359**	**1,210**	**426**

Internal Borrowing – this is from internal cash resources (working capital) from within the balance sheet (cash, debtors and creditor).

4.0 TREASURY MANAGEMENT

4.1 The following gives a high level commentary on the Treasury Management activity that the Council is expecting to undertake during 2021/22.

- **Short Term Borrowing**

  During any year the Council will undertake short term borrowing and lending to maintain effective daily cash flow balances. For the forthcoming year, it is estimated that the net cost of short-term borrowing will be £1,300; this is based on an estimated daily cash flow balance of £13.0m and a cost of borrowing based on an estimated interest rate of 0.10%.

- **Long Term Borrowing**

  The Treasury Management Strategy permits the Council to borrow for the long-term to maintain effective working capital balances and to support back-to-back lending to external organisations. At the end of 2021/22, it is forecast that the total balances in respect of long-term borrowing will be £39.6m. The estimated cost of long term borrowing in 2021/22 is £1.265m.

4.2 During 2021/22 no long-term borrowing has been anticipated for any Commercial Investment/Development Strategy, due to the uncertainty around any future acquisition for yield, together with Government prohibiting any borrowing from PWLB for commercial gain. Any redevelopment within the capital programme has been assumed that alternative sources of funding will be explored to enable delivery of the future capital programme.

5.0 Capital Financing Requirement (CFR)

5.1 **Table 20** gives a summary of how, over the period of the MTFS, the Council's capital commitments and plans impact on its underlying need to borrow. **Tables 19** and **20** provide a more detailed breakdown of the CFR between the Council's mainstream Capital programme and the Capital Investment Strategy (CIS) respectively.

Table 19

Capital Financing Requirement - Total	Estimate	Medium Term Financial Strategy				
	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25
	£000s	£000s	£000s	£000s	£000s	£000s
Opening Capital Financing Requirement	**71,824**	**83,717**	**83,958**	**83,253**	**82,829**	**81,143**
Closing Capital Financing Requirement	**83,717**	**83,958**	**83,253**	**82,829**	**81,143**	**78,774**
Increase/(Decrease) in Underlying Need to Borrow	**11,892**	**241**	**(705)**	**(424)**	**(1,685)**	**(2,370)**

Table 20

Capital Financing Requirement - General Capital Programme	Estimate	Medium Term Financial Strategy				
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/24
	£000s	£000s	£000s	£000s	£000s	
Opening Capital Financing Requirement	**44,443**	**56,336**	**56,577**	**55,872**	**55,448**	**53,762**
Capital Investment						
Property, Plant and Equipment	12,215	2,873	9,493	9,060	9,611	2,027
Investment Properties	1,665	565	250	0	0	0
Intangible Assets	281	31	0	0	0	0
Revenue Expenditure Funded From Capital Under Statute	2,450	14,700	2,675	2,400	1,950	1,850
Repayable Advances	0	0	0	0	0	0
Additional Requirement	**16,611**	**18,169**	**12,418**	**11,460**	**11,561**	**3,877**
Sources of Finance						
Capital Receipts	(820)	(1,065)	(700)	(7,150)	(8,800)	(2,000)
Capital Grants and Contributions	(1,393)	(14,101)	(9,721)	(1,951)	(1,551)	(1,451)
Use of Capital Grants Unapplied	0					
Direct Revenue Financing	0					
Minimum Revenue Provision	(2,506)	(2,761)	(2,702)	(2,783)	(2,895)	(2,796)
	(4,719)	(17,927)	(13,123)	(11,884)	(13,246)	(6,247)
Closing Capital Financing Requirement	**56,336**	**56,577**	**55,872**	**55,448**	**53,762**	**51,392**
Increase/(Decrease) in Underlying Need to Borrow	11,892	241	(705)	(424)	(1,685)	(2,370)

Table 20

Capital Financing Requirement - Commercial Investment Strategy	Estimate	Medium Term Financial Strategy				
	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Opening Capital Financing Requirement	**27,381**	**27,381**	**27,381**	**27,381**	**27,381**	**27,381**
Capital Investment						
Additional Requirement	**0**	**0**	**0**	**0**	**0**	**0**
Sources of Finance						
	0	0	0	0	0	
Closing Capital Financing Requirement	**27,381**	**27,381**	**27,381**	**27,381**	**27,381**	**27,381**
Increase/(Decrease) in Underlying Need to Borrow	0	0	0	0	0	0

6.0 Formal 2021/22 Council Tax Resolutions

6.1 The formal 2021/22 Council Tax resolutions to be agreed by Council are shown below.

a) That the Council note the Council Tax Base for the whole Council area and individual Towns and Parishes (para 6.2) as approved by Cabinet on the 8 December 2020 (and subsequent publication as a key decision).

The tax base (T) which is the amount anticipated from a District Council Tax of £1 is **£63,355**

b) That the following amounts calculated by the Council for 2021/22 in accordance with the requirements of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (the Act), the Local Government Finance Act 2012 and associated regulations :-

(i) the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act **£79,175,112**
Gross revenue expenditure including benefits, Town/Parish Precepts

(ii) the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act **£62,682,424**
Revenue income including reimbursement of benefits, specific and general grants, use of reserves and any transfers from the collection fund.

(iii) the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above in accordance with Section 31A (4) of the Act **£ 16,493,424**
This is the "Council Tax Requirement" <u>including</u> Parish/Town Precepts (item i minus item ii). It is the cash sum to be funded from District, Town and Parish Council Taxes.

(iv) the Council Tax requirement for 2021/22 divided by the tax base (T) in accordance with Section 31B (1) of the Act **£260.34**
District plus average Town/Parish Council Tax (item iii divided by District taxbase)

(v) the aggregate of all "Special Items" referred to in Section 34(1) of the Act. **£7,252,766**
The total value of Parish/Town precepts included in i and iii above.

(vi) the Basic Amount of Council Tax for 2021/22 being item iv less item v divided by the tax base (T) in accordance with Section 34 (2) of the Act. **£145.86**
The District Council's Band D Tax for 2021/22

(vii) the basic amounts of Council Tax for 2021/22 for those parts of the District to which one or more special items (Parish/Town precepts) relate in accordance with Section 34 (3) of the Act are shown by adding the Huntingdonshire District Council amount to the appropriate Parish Council amount in column "band D" set out in Table 1 attached.

(viii) the amounts to be taken into account for 2021/22 in respect of categories of dwellings listed in particular valuation bands in accordance with Section 36 (1) of the Act are shown by adding the Huntingdonshire District Council amount to the appropriate Parish Council amount for each of the valuation bands in the columns "bands A to H" set out in Table 1 attached.

(c) That the amounts of precept issued to the Council by Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire & Peterborough Fire Authority and for each Parish Council for each of the categories of dwellings listed in different valuation bands in accordance with Section 40 of the Act shown in para 6.3 attached be noted.

(d) That, having regard to the calculations above, the Council, in accordance with Section 30 (2) of the Act, hereby sets the figures shown in para 6.4 as the amounts of Council Tax for 2021/22 for each of the categories of dwelling shown. ***This is the total Council Tax to be collected, incorporating the requirements of all of the relevant bodies, for each town or parish area.***

(e) The Council notes that, in accordance with Section 52ZB of the Local Government Finance Act 1992, the basic amount of its Council Tax for 2021/22 is not excessive.
The basic amount at b(vi) above is not excessive as defined by the Government.

6.2 Tax Base 2021/22

Based on the information contained within this report, it is recommended that pursuant to the Revenues and Benefits Manager's report and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, the amounts calculated by the Huntingdonshire District Council as their (net) tax base for the whole District for the year 2021/22 be 63,355 and shall be as listed below for each Town or Parish of the District:

Abbots Ripton	132
Abbotsley	264
Alconbury	578
Alconbury Weston	297
Alwalton	122
Barham & Woolley	30
Bluntisham	753
Brampton	2356
Brington & Molesworth	179
Broughton	95
Buckden	1219
Buckworth	53
Bury	648
Bythorn & Keyston	153
Catworth	163
Chesterton	67
Colne	379
Conington	76
Covington	46
Denton & Caldecote	30
Earith	605
Easton	77
Ellington	237
Elton	288
Farcet	534
Fenstanton	1313
Folksworth & Washingley	348
Glatton	134
Godmanchester	2820
Grafham	239
Great & Little Gidding	123
Great Gransden	473
Great Paxton	366
Great Staughton	330
Haddon	21
Hail Weston	249

Hamerton & Steeple Gidding	51
Hemingford Abbots	327
Hemingford Grey	1282
Hilton	450
Holme	250
Holywell-cum-Needingworth	996
Houghton & Wyton	784
Huntingdon	7625
Kimbolton	593
Kings Ripton	84
Leighton Bromswold	78
Little Paxton	1538
Morborne	12
Offord Cluny & Offord D'Arcy	542
Old Weston	105
Oldhurst	100
Perry	267
Pidley-cum-Fenton	183
Ramsey	2972
Sawtry	1939
Sibson-cum-Stibbington	230
Somersham	1403
Southoe & Midloe	159
Spaldwick	249
St.Ives	6007
St.Neots	11084
Stilton	768
Stow Longa	74
The Stukeleys	900
Tilbrook	126
Toseland	39
Upton and Coppingford	90
Upwood and the Raveleys	441
Warboys	1575
Waresley-cum-Tetworth	142
Water Newton	38
Winwick	50
Wistow	231
Woodhurst	152
Woodwalton	84
Wyton-on-the-Hill	437
Yaxley	2949
Yelling	152
Total	**63,355**

6.3 2021/22 Council Tax by Property Band for each Precepting Authority and the Billing Authority

This table will be completed after the Council's Full Council meeting scheduled for the 24 February when the Council receives the precepts from Cambridgeshire County Council, Fire and Police Authorities.

6.4 Total 2021/22 Council Tax by Property Band for each Precepting Authority and the Billing Authority

This table will be completed after the Council's Full Council meeting scheduled for the 24 February when the Council receives the precepts from Cambridgeshire County Council, Fire and Police Authorities.

7. Fees and Charges

7.1 The Fees and Charges that will be applicable from April 2021 to March 2022 have been included in **Annex A**. These fees and charges are correct at the time of reporting but there may be changes throughout the year that will be agreed by the Executive Councillor and the S151 Officer.

8.0 Robustness of the 2021/22 Budget and Medium Term Financial Strategy

8.1 The Section 25 of Local Government Act 2003 requires me, as the Council's Responsible Financial Officer, to report on the robustness of the 2021/22 budget and the adequacy of reserves to assist you in making your decisions on the Budget and the level of Council Tax. Further, this is an opportunity for me to provide some commentary in respect of the period covered by the Medium Term Financial Strategy (MTFS).

8.2 Robustness and Budget Setting

8.2.1 At the time of writing, the 2020/21 Quarter 3 Finance Performance Report is reporting a forecasted overspend of £799k in respect of service expenditure. This is due to the impact of the Covid 19 pandemic on the Council's finances. The council has received significant financial support from Government so far in 2020/21, receiving £2.2m in emergency response funding; £2.6m in Income Compensation for the closures in the retail, leisure and hospitality sectors, together with approx. £500k in reduction in salary costs from furloughing staff relating to those areas, where redeployment was not possible.

8.2.2 As in previous years, the Council has reviewed its service expenditure, together in consultation with the Executive Councillors. In liaison with the Senior Management Team, savings and growth proposals (£0.9m and £3.7m respectively) have been developed by officers and Executive Councillors have reviewed and individually agreed each proposal. As ever, the Finance Team has provided the central support to services and the whole process has been overseen by the Chief Finance Officer (S151 officer).

8.2.3 In addition to the Executive Councillor review, the Council:

- Will continue to review services and developed funding proposals that help to mitigate the current uncertainty relating to impact of the Covid 19 pandemic to the economy and only a one year focus on the spending review from Government, and
- the Executive has chosen to not increase Council Tax for 2021/22 in light of the financial uncertainty not only within Local Government, but also in the wider community.

8.3 Challenges Facing the Council

8.3.1 The challenges that the Council faces are similar to those being faced by many councils across the local government community. The principal challenges that the Council is tackling are illustrated below:

Public Sector post Covid Funding

8.3.2 Not only has the public sector had to endure numerous years of reduced funding, with continued uncertainty around the Fair Funding and Business Rates Review. The Public Sector, has in the last 10 months, diverted resources to support its community in its time of need, during an unprecedented turn of events, due to the Covid 19 pandemic. In the short-term, one-off funding from Government has provided a much-needed financial stop gap, but the on-going financial impact in to 2021/22 and beyond is unknown. More now than ever the Council has to take proactive action to effectively manage the financial consequences of the pandemic; exposure to the growth and decline of the economy as a major source of funding (Council Tax and Business Rates), puts all local authorities at risk and financial vulnerable.

8.3.3 Following the 2021/22 provisional settlement announced in December 2020, **Table 21** clearly shows that the grant funding streams for the Councils MTFS for 2021/22 and for the period up to 2025/26 has moved when compared to the preceding year. For:

- 2021/22 — the total grant included in last year's MTFS was £9.1m; following the provisional settlement this has now increased to £10.2m; a increase of £1.1m (24.6%). This is mainly due to a one-off increase in NHB of £1.13m; change in assumptions for NDR reduction of £134k; Fair funding delayed by one year increase of £81k .
- 2022/23 — the total grant in last year's MTFS was £8.7m, this has now increased to £9.1m; this reflects an increase of £0.4m. Which mainly due to changing assumptions for Fair Funding Review and NDR retention.
- 2023/24 onwards — the Councils net grants position continues to decline until 2023/24 but starts to recover in 2024/25,mainly due to assuming a net benefit to NDR retention.

Between 2021/22 and 2025/26, the net reduction in grant is £0.94m (9.2%).

Table 21	Comparison of Grant Assumptions: 2020/21 Budget & 2021/22 Budget and MTFS (2022/23 to 2024/25)					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
2020/21 Budget & MTFS						
NDR	6,674	6,811	6,949	7,090	7,106	
S31	1,579	1,579	1,579	1,579	1,579	
RSG	0	0	0	0	0	
FFR Adjust	(83)	(163)	(245)	(326)	(408)	
NHB	2,212	881	427	0	0	
Total	**10,382**	**9,108**	**8,710**	**8,343**	**8,277**	
2021/22 Budget & MTFS						
NDR+S31		6,080	6,644	6,829	7,096	7,370
S31		2,176	2,213	2,250	2,287	2,287
RSG		0	0	0	0	0
FFR Adjust		(82)	(163)	(245)	(326)	(408)
NHB		2,014	427	0	0	0
Total		**10,188**	**9,121**	**8,834**	**9,057**	**9,249**
Variance between Grant Assumptions						
NDR	0	(731)	(305)	(261)	(10)	
S31	(824)	597	634	671	708	
RSG	0	0	0	0	0	
FFR Adjust	(83)	81	82	81	82	
NHB	0	1,133	0	0	0	
Total	**(907)**	**1,080**	**411**	**491**	**780**	
	%	%	%	%	%	
NDR	0.0	-10.7	-4.4	-3.7	-0.1	
S31	-52.2	37.8	40.2	42.5	44.8	
RSG	0.0	0.0	-100.0	-100.0	-100.0	
FFR Adjust	0.0	0.0	-100.0	-100.0	-100.0	
NHB	0.0	128.6	0.0	#DIV/0!	0.0	
Total	**-8.7**	**11.9**	**4.7**	**5.9**	**9.4**	

Programme of Service Review

8.3.4 It is probably fair to say that all councils are undertaking some form of service review and seeking to ensure that services are provided with affordability and value for money at their core. As mentioned earlier, the Executive have reviewed their budgets, with significant emphasis on areas with continued unavoidable pressures into 21/22; Leisure, Parking and Commercial Rental Income.

8.4 Governance

8.4.1 Noted within the 2019/20 Annual Governance Statement (AGS) both the Executive Leader and the Managing Director consider not only internal controls, but also external factors:

The six themes that were included in the Annual Governance Statement are:

1	Housing Affordability	*Leading to homelessness and constraining growth.*
2	Morbidity/Growing number of years of ill health	*Impacting on people's ability to be self-reliant and generating additional cost through support needs.*
3	Wider economic environment	*Impact of Commercial Investment Strategy/Business rates receipts and level of need from residents.*
4	Skills level and educational attainment	*As a means by which residents are able to attract profitable work and in attracting employers to the area.*
5	Partner agency operational pressures	*Financial challenges of partners impacting on demand for our services or reducing existing support.*
6	Environment	*Challenges to the long-term sustainability and attraction to our area.*

8.4.2 In July 2019, the Council's Acting Internal Audit Manager reported to the Corporate Governance Committee that the assurance given for the year to 31 March 2020 was:

"…..that there was an **adequate** governance framework from which those charged with governance could gain reasonable assurance".

8.5 Risks

8.5.1 Because of the nature of the macro and micro environment that the wider local government family and the Council operates within, there are a whole host of risks that the Council faces on a day-to-day basis. In such an environment, budget setting is not a science but more a guide on how financial resources will be allocated to services over the forthcoming year and to give an indication into the medium term. There will always be items that emerge after the budget has been approved and these can range from a programme under or over achieving or an unexpected event occurring.

Mitigation of Unforeseen Events

8.5.2 The Council has always taken a very prudent position in ensuring that it maintains its General Fund (Unallocated) Reserve at percentage of Net Expenditure. In December 2015, the minimum threshold for the General Fund (Unallocated) Reserve was 15%.

During the budget setting for 21/22, due to the unavoidable growth impacting the net expenditure, if was felt that the 15% threshold was not appropriate in the medium term, therefore a fixed General Fund Reserve has been proposed of £2.175m. This was based on the most immediate financial risks and the level of outcome, high, medium or low, shown in **table 22** below.

Table 22

high	100%
medium	50%
low	25%

Outline of Risk	Financial Impact	Likely hood	Reserves provision required
Business Rates Reset	750,000	medium	375,000.0
Fair funding Impact	400,000	high	400,000.0
Council Tax Impact	650,000	high	650,000.0
Stock condition survey for Estates - compliance/repairs & maintenance	1,000,000	low	250,000.0
CIS - non rental of premises retail	1,000,000	medium	500,000.0
Reserves required			**2,175,000.0**

However, to help mitigate a situation whereby an event could occur that would potentially have a negative financial impact on the Council, the Council has for a long time had a clear process in place. Where a situation has occurred that is 'service' specific, the

- first call for funding will be from compensating savings from elsewhere within the service, and if none are possible then savings from the wider Councils budget (service first, wider Council thereafter),
- second call for funding will be general service reductions. Such an approach will inevitably have an impact on service delivery,
- and finally, the use of General Fund reserves would be considered.

Where a situation arises that is 'corporate' in nature, then consideration will be given to the aforementioned first and second calls, but there is likely to be earlier considerations of using General Fund reserves.

8.5.3 During 2016/17 the Council introduced the Budget Surplus Earmarked Reserve; the aim of this reserve is to "mop-up" service underspends that would cause the General Fund to be higher than the minimum threshold. This has been developed further to provide a means by which surpluses could be distinguished between those due to unspent NHB or in-services savings. With regard to:

- Unspent NHB, such underspends are passported through to the Commercial Investment Earmarked Reserve. Therefore enabling the Council to ring-fence funds that are available for Commercial Investment and/or service development.
- In-service savings, such underspends can be ring-fenced to provide a 'smoothing' fund to meet future years estimated deficits.

8.5.4 The technical definition of General Fund Reserves includes the General Fund (Unallocated) Reserve as well as all 'revenue' Earmarked Reserves. In the context of making General Fund Reserve balances available to meet unforeseen events, the Council has self-limited this to the General Fund (Unallocated) Reserve itself as well as the Budget Surplus Earmarked Reserve. The Commercial Investment Reserve is not included in the following risk modelling assessment as this is the means by which the Council is able to invest to provide medium term financial sustainability – to include the Commercial Investment Reserve could give an overly 'optimistic' view of financial resilience. Consequently, to mitigate such events and secure the delivery (and security) of day-to-day business, the schedule of call-off would be:

- General Fund (Unallocated) Reserve, and then the
- Budget Surplus Earmarked Reserve.

As an absolute last resort, only then would the Commercial Investment Earmarked Reserve be applied.

<u>Risk Modelling</u>

8.5.5 It is essential that relevant risks are identified and appropriate sensitivity analysis applied to determine the impact of such risks on the Councils financial standing – and consequently the delivery of the Councils day-to-day business. The most significant potential risks to the budget are:

- Under achievement of savings.
- higher inflation.
- further reductions in income (mainly from fees and charges).
- non-achievement of savings; including Shared Services.
- failure of a borrower.
- an emergency.
- estate property enhancement/development.
- increased demand on services (e.g. benefits and homelessness).
- level of retained business rates.

8.5.6 Taking each of the above in turn:

- **Underachievement of Savings & Additional Income**
  The savings included within the budget total £0.9m. These savings cover a broad range of services; however as ever with savings they are dependent on market, management and political conditions prevailing at the time. It is therefore prudent to assume that some of these savings may not be achieved; a fair assumption is a 30% underachievement which equates to £270k.

- **Inflation**

  With regard to:

  - Pay
    The budget for 2021/22 includes an “across the board” pay increase of 2%. Taking into account employer on costs (national insurance and pension), this equates to a total cost of £23.5m; a further 1% for sensitivity equates to £235k.

  - On-Boarding of Variable Hours Staff
    A risk remains whereby variable hours Council staff should be fully contracted staff. Some staff may elect to remain on zero-hours contracts whereas others may wish to be formally contracted. This risk is not built into the budget as the amount to be included is not known; however, for sensitivity purposes the total estimated cost of all staff reverting to a contracted hour’s contract is modelled, this would be £300k.

  - Business Rates (those payable by HDC)
    The budget for 2021/22 includes a Business Rates budget of £1.32m. Considering the changing occupancy of the Council’s property due to external partners leasing its premises, there is the possibility that there could be rating implications for different parts of the Councils buildings. However, a marginal 5% change has been anticipated which has a sensitivity impact of £66k.

  - General Inflation
    No general inflation has been included in the 2021/22 budget except where there are contractual price increases; although for the Council this is minimal as most services are “contracted in”.

  - Borrowing
    The budget for 2021/22 assuming minimal borrowing cost for temporary borrowing (for non-CIS borrowing)

- **Reduced income: Fees and Charges**

  Total fees and charges are £14.8m, therefore, for sensitivity analysis a 2% loss of income from fees and charges would amount to £296k. The largest income streams that are susceptible to variation include:

  - Car Parks, £2.0m (Off-Street).
  - Leisure Centres, £5m
  - Commercial Estate, £4.8m
  - Planning Fees, £1.89m

- **Reduced income: Commercial Investment Income (CIS)**

  Total forecast CIS income is £4.8m; for sensitivity analysis purposes if there was a 5% loss of income from rental income due to reduction in occupancy this would equate to £0.240m.

- **Reduced income: New Homes Bonus**

  For 2021/22 the Councils NHB is £2.1m; it is expected that in due course the government will announce some significant changes to the scheme. The Council has modelled that by 2024/25 the Council will no longer received such funding. However, for sensitivity purposes the Council's is including a 5% reduction in NHB, reflecting £105k.

- **Government Grant: Non Domestic Rates**

  Since the localisation of Non Domestic Rates in April 2013 it has become increasingly clear that the levels that the authority will be able to retain are more and more difficult to forecast. Whilst there are some opportunities for estimating i.e. the development of new buildings, it is very difficult to judge when development will commence on allocated land even if planning permission has been granted.

  Prior to 2017/18, it had been established that the government's assessment of growth for the District was somewhat optimistic when compared to actual growth. Similar to last year, for 2021/22 the Council has taken a more prudent line by formulating its own assessment for NDR receipts (£5.1m excluding any Enterprise Zone growth) and only increased thereafter by 2.5% per annum. Directly linked to NDR are S.31 grants, this is government grant that compensates local government for it being required to exceed the minimum statutory regulations for certain thresholds as a consequence of government priorities (i.e. increasing the 'small business relief' limit above that required by law). The assessed S.31 receipts for 2021/22 are £2.1m.

  Although it is fair to say that any NDR reduction would be limited by the existence of the safety net (i.e. it provides a statutory limitation to losses), it is fair to apply sensitivity to the gap between the safety net and the estimated NDR receipt. Losses can be accrued in a number of ways; reduce NDR as a consequence of business failure, demolition or catastrophic event, but are more usually impacted due to rating appeals (some of which can take many years to conclude). In respect of:

  - NDR, the gap between the estimated income (£5.1m) and the safety net (£4.2m) is £0.9m; 5% sensitivity reduction will be applied giving £45k.
  - S.31, a 5% sensitivity reduction will be applied giving £105k.

  The above is a more granular approach to sensitivity than in previous years; this is considered prudent as the Council moves closer to a position of full financial sustainability.

- **Failure of a Borrower**

  The current counterparty limit is lending of £5.0m to a single institution.

  The main "borrowing" risk rests whether the lending is either on a short or long term basis. The £5.0m limit is restricted to bodies with a credit rating of F1+ or Building Societies with more than £2 billion in assets. The impact of a "failure of borrower" will be the loss of revenue cash flow and the potential costs involved of "making good" the lost investment. There are however, good governance arrangements around the Council's Treasury activity and therefore the likelihood of loss is minimal. However, with the current financial impacts still being relatively unknown, it would be prudent to include some sensitivity in respect of cash flow. Therefore, the average amount lent to an institution at any given time is around £4.0m; if this amount was lost and the Council had to borrow from the PWLB, at current rates this would amount to a cost of £40k. This block amount is included in the sensitivity analysis.

- **Emergency**

  As is normal for a business, different types of risk are mitigated in many difference ways Some risks are insured against, so losses are limited to the excesses payable and also, the Government's Bellwin Scheme meets a large proportion, over a threshold, of the costs of any significant peacetime emergencies (e.g. pandemics, serve flooding). Further, the Council does maintain its General Fund Reserves at a fair 'minimum' level and their use in respect of Mitigation of Unforeseen Events is discussed in detail at paragraphs 8.5.2 and 8.5.3.

  With specific regard to flooding, the Council does reside within a flood risk area and there have been occasions where the Council has been required to meet the cost of local flooding incidents; however, such costs have been met from within current resources. With the reduction in budgets it is anticipated that such ad-hoc spend will not be able to be as easily accommodated so it would be prudent to include an element within any sensitivity to meet this cost. The Code of Financial Management permits the Managing Director or the Responsible Financial Officer to incur "emergency spend" of up to £500k, with retrospective reporting to Cabinet. A 50% allocation (£250k) of the £500k is included within the sensitivity analysis.

- **Estate property enhancement/development**

  With the Council increasing its CIS Estate and the 'aging' of its current Operational Estate, it is fair to include a risk in respect of future property enhancement. For sensitivity modelling purposes, the currently estimated cost of enhancement is £182k for sensitivity purposes if 80% of this was required this would give a cost of £146k.

- **Increased demands on services**

  Many of the services provided by the Council are susceptible to an increase in demand. However, over the past few years the most susceptible that have had a significant revenue impact is homelessness.

  With regard to homelessness, the budget for 2021/22 is £1.142m; if there was a 10% increase in demand for each this would require an additional £114.2k. In addition, ICT has a budget totalling £2.2m, if there was say 7% increase in demand for this service this would amount to £154k of additional costs.

- **Council Tax**
  The Council has chosen to not increase Council Tax this year; however an increase of 2.6% represents around £240k, as this is a marginal increase no further sensitivity has been undertaken. It should be noted that the Council could have chosen to have increased by the higher of either 2% or £5.

Sensitivity for 2021/22 Budget

8.5.7 Considering the risks noted above and the stated budget assumptions, the accumulated total cash risk is £2.497m. However, it is highly unlikely that all these risks will occur at the same time, so it is fair to apply “sensitivity” to each risk and then model the likelihood of occurrence. **Table 23** shows this detailed analysis and in summary the additional pressure within 2021/22, based on the likelihood of occurrence, is as follows:

- Pessimistic view, additional pressure of: £1.2m
- Middle-View, additional pressure of: £0.8m
- Optimistic View, additional pressure of: £0.5m

Table 23	Sensitivity of Risks to 2021/22 Budget & Funding Options										
Risk		Costs Included in 2021/22 budget		Sensitivity Impact		Likelihood of Occurrence					
						Pessimistic		Middle-Way		Optimistic	
		£000		+/-	Cost £000	Factor	£000	Factor	£000	Factor	£000
Underachievement of Savings & Additional Income		897	Savings not achieved	25%	224	0.7	157	0.2	45	0.1	22
Inflation	Pay	23,557	Pay increase from 1% to 2%	1%	236	0.6	142	0.3	71	0.1	24
	On-Boarding of Variable Staff	300	Estimated cost of zero-hours staff moving to contracted hours	100%	300	0.6	180	0.2	60	0.2	60
	Business rates (HDC payable)	1,316	Business Rates vary due to change in liability etc	5%	66	0.2	13	0.3	20	0.5	33
	Investment/Borrowing Costs	3	Difference between Borrowing at 3.0% to 3.25%	75%	2	0.2	0	0.5	1	0.3	1
Reduced Income	Fees & Charges	(14,796)	Reduction in income.	2%	296	0.3	89	0.4	118	0.3	89
	CIS Income	(4,803)	Reduction in income.	5%	240	0.3	72	0.4	96	0.3	72
			Reduction in income.	25%	0	0.3	0	0.4	0	0.3	0
	New Homes Bonus	(2,014)	Reduction in NHB following change to "needs" system and consequential redistribution.	5%	101	0.3	30	0.4	40	0.3	30
Government Grant	NDR - Difference between Safety Net and Budgeted Receipts	(912)	Reduced NDR receipts.	10%	91	0.6	55	0.3	27	0.1	9
	S.31 Grant	(2,176)	Not all grant received.	5%	109	0.6	65	0.3	33	0.1	11
	Collection Fund Surplus	(296)	Collection Fund Deficit not as significant as forecast.	15%	44	0.6	26	0.3	13	0.1	4
Failure of Borrower		120	Cost of borrowing from PWLB if Council lost £4m (average amount lent to a borrower)	100%	120	0.2	24	0.5	60	0.3	36
Emergency		500	Immediate use of funds in the event of a local emergency	50%	250	0.2	50	0.5	125	0.3	75
Maintenance	Property Maintenance and Enhancement	182	Estate property enhancement/development	80%	146	0.8	117	0.1	15	0.1	15
Increased Demand of Services	Homelessness	1,142	Increase in demand	10%	114	0.4	46	0.5	57	0.1	11
	ICT	2,253	Additional service requirement	7%	158	0.8	126	0.1	16	0.1	16
Total Sensitivity					**2,497**		**1,192**		**797**		**508**
OVERALL TEST FOR BUDGETARY RISK											
Estimated General Fund (Unallocated) Reserve at 31 March 2021							2,175		2,175		2,175
Budget Surplus Reserve at 31 March 2021							4,760		4,760		4,760
Total Estimated Reserves at 31 March 2021 (*)							**6,935**		**6,935**		**6,935**
Conclusion of Sensitivity i.e. Estimated Reserves less Senstivity											
- Upon comparing 'Total Senstivity' to Total Estimated Reserves, do Reserves remain positive? (*)							**Yes**		**Yes**		**Yes**
- Upon comparing 'Total Senstivity' to the Minimum Level of General Fund (Unallocated) Reserves (15% of Net Expenditure), does Reserve Remain Positive							**Yes**		**Yes**		**Yes**
- If 'Total Senstivity' Risk occurred, what would be the reduction in General Fund (Unallocated) Reserves							**54.8%**		**36.6%**		**23.4%**

* **Note:** HDC has set a minimum level of General Fund (unallocated) Reserves of £2.175. However, in a 'crisis' situation the Council has immediately available, as well as the General Fund, the Budget Surplus Reserve. Therefore, for this 'Sensitivity Exercise' both Reserves will be considered.

8.5.8 This analysis shows that if the most ‘pessimistic’ position occurred, the Councils General Fund (Unallocated) Reserves alone would be insufficient to meet this additional cost. However, if it also included the Budget Surplus Reserve it would have sufficient resources to meet this cost.

8.6 Revenue Reserves

Reserves for 2021/22 and the MTFS Period (2022/23 to 2025/26)

8.6.1 There is no statutory minimum level of reserves; however, as noted at 8.5.2 Cabinet has approved a new minimum threshold for its General Fund (Unallocated) Reserves of £2.175m. The primary aim of the General Fund is to provide a safety net for unforeseen expenditure.

8.6.2 In addition to the General Fund, and as shown in 8.5.2 to 8.5.3 the Council operates a number of reserves; including the Budget Surplus Reserve, the Commercial Investment Reserve and a number of specific Earmarked Reserves. The purpose of the latter is to meet known potential liabilities arising from Statutory Commitments, Know Risks, Future or Political Commitments and costs associated with Transformation and Commercialisation.

8.6.3 However, to ensure the adequacy of the Councils Reserves (i.e. their robustness) it is essential to determine if the Councils revenue reserves are sufficient to meet the assessed risks (8.5.7). To determine this, a two stage comparison will be undertaken in that the “likelihood of occurrence” of a risk will be compared to two sets of reserves. The detailed analysis is shown in **Table 24** and relevant commentary is shown below.

Stage 1 – The Primary Test of Financial Resilience
The “likelihood of occurrence” of the assessed risks will be compared against the General Fund (Unallocated) Reserve and the Budget Surplus Reserve – in this way the CIS Reserve can be used over the life of the MTFS to invest in commercial property that will generate a long term revenue stream.

As shown in **Table 24**, both reserves can meet the assessed risks until 2021/22; thereafter the minimum level of reserves threshold is breached.

Stage 2 – The Secondary Test of Financial Resilience
The Stage 2 assessment is a ‘complete’ test, in that it also brings into the assessment the Commercial Investment Reserve. This clearly shows that the Council would have sufficient resources to meet the modelled risks, but this does mean that the Council may not be able to invest all the Commercial Investment Reserve as planned. However, as the planned Commercial Investments Strategy is expected to be completed in 2020/21, this reserve can be repurposed in the future to negate any future Revenue pressures, although it is likely to be utilised in any future redevelopment projects.

Table 24

Table 24	Impact of 2021/22 Sensitivity of Risks on the MTFS General Fund Reserves Profile														
General Fund Reserve and Budget Surplus Reserve		**2021/22 £000**			**2022/23 £000**			**2023/24 £000**			**2024/25 £000**			**2025/26 £000**	
General Fund Reserve c/f		2,175			2,175			2,175			2,175			2,175	
Budget Surplus Reserve c/f		4,760			3,877			3,256			2,918			2,741	
		6,935			**6,052**			**5,431**			**5,093**			**4,916**	
Minimum Level of Reserves (*)		2,175			2,175			2,175			2,175			2,175	
	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic
Reduction in Reserves (in year)	1,192	797	508	1,192	797	508	1,192	797	508	1,192	797	508	1,192	797	508
Estimated Reserves c/f	**5,743**	**6,138**	**6,427**	**4,860**	**5,255**	**5,544**	**4,239**	**4,634**	**4,923**	**3,901**	**4,296**	**4,585**	**3,724**	**4,119**	**4,408**
- Do Reserves remain above Minimum Level of Reserves	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
General Fund Reserve, Budget Surplus Reserve and Commercial Investment Reserve		**2021/22 £'000**			**2022/23 £'000**			**2023/24 £'000**			**2024/25 £'000**			**2025/26 £'000**	
General Fund Reserve c/f		2,175			2,175			2,175			2,175			2,175	
Budget Surplus Reserve c/f		4,760			3,877			3,256			2,918			2,741	
Commercial Investment Reserve c/f		3,186			3,186			3,186			3,186			3,186	
		10,121			**9,238**			**8,617**			**8,279**			**8,102**	
Minimum Level of Reserves (*)		2,175			2,175			2,175			2,175			2,175	
	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic
Reduction in Reserves (in year)	1,192	797	508	1,192	797	508	1,192	797	508	1,192	797	508	1,192	797	508
Estimated Reserves c/f	**8,929**	**9,324**	**9,613**	**8,046**	**8,441**	**8,730**	**7,425**	**7,820**	**8,109**	**7,087**	**7,482**	**7,771**	**6,910**	**7,305**	**7,594**
- Do Reserves remain above Minimum Level of Reserves	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

* = The minimum level of reserves is 15% of Net "budgeted" Expenditure

8.6.4 Consequently, it is fair to say that:

i. if the situation arose, with the use of the General Fund (Unallocated) Reserve, the Budget Surplus and Commercial Investment reserves the Council should be able to absorb considerable additional financial risk. As we has seen during 2020/21, the majority of the risks hit at the same time, even though the chances of this happening were and still are considered, unprecedented.

ii. the Council is self-sufficient over the medium-term. The Council has actual surplus budget for 2018/19 and 2019/20 and is making the prudent decision to "bank" early year budget surpluses into the Budget Surplus Reserve to enable it to meet subsequent year funding gaps; whilst being able to maintain its general reserve of £2.175m over the MTFS period.

8.6.5 However, to remove reliance on the use of reserves the Council will be required to find further savings or generate additional income equivalent to 6% of its net expenditure – as summarised in **Table 25** below and shown on the "Plan on a Page" at **Appendix 2**.

Table 25

Table 25	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Plan on a Page - Approved MTFS 2021/22 - 2024/25				
Approved MTFS Net Expenditure	**19,580**	**19,378**	**19,678**	**20,082**
Plan on a Page - new savings required from MTFS	**(883)**	**(621)**	**(338)**	**(177)**
Plan on a Page - % savings required from MTFS	**-5%**	**-3%**	**-2%**	**-1%**
Budget Requirement (adjusted for savings required)	**18,697**	**18,757**	**19,340**	**19,905**

8.7 Conclusion

- **2021/22 Budget**

Considering all the factors noted within the "Robustness" statement in respect of 2021/22, I consider that the combination of the:

- Councils commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- it's clear intention to invest in services, and
- it's prudent position relating to income recognition,

the budget proposed for 2021/22 should not give Members any significant concerns over the Council's financial position.

- **Medium Term Financial Strategy (2022/23 to 2025/26)**

With regard to the period covered by the MTFS; the Council does face some future funding risk with the:

  - expected reduction in NHB,

- the implications of Fair Funding and
- the ongoing issues pertaining to the localisation of Business Rates.

However, over the past few years the Council has taken proactive action to address its budgetary concerns and with the planned continuation find efficiencies the Council has a sound financial base upon which it can further develop its aim of financial self-sufficiency.

Claire Edwards FCCA
Responsible Financial Officer (Section 151)

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Appendix 2

Plan on a Page

Corporate Plan

VISION	We want to improve the quality of life, deliver economic growth and provide value for money services for the people of Huntingdonshire
STRATEGIC PRIORITIES	Enabling Communities; Delivering Sustainable Growth; Becoming a More Efficent and Effective Council

Strategic Resource Plan

BEFORE

2020/21 Budget & MTFS

Savings required 2024/25

£0.5m

INCOME GENERATION | EFFICIENCIES & GROWTH

Old MTFS=====================>Change in Level of Activities=====================>New MTFS

Council Tax	Commercialisation	Funding Changes	Budget Review	Service Growth	Transformation Savings
£0.3m	£Nil*	(1.0m)	0	£0.4m	0

AFTER

2021/22 Budget & MTFS

Savings required 2025/26

£0.2m

Financial Strategy

	2021/22	2022/23	2023/24	2024/25	2025/26
Net Expenditure	£20.7m	£19.5m	£19.4m	£19.7m	£20.1m
Budget surplus / (deficit)	£0.8m	(£0.9m)	(£0.6m)	(£0.3m)	(£0.2m)
Earmarked Reserves Adjustment	0	0	0	0	0
Budget requirement	£21.4m	£18.7m	£18.8m	£19.3m	£19.9m

* This represents no change in the level of Commercialisation being utilised to generate income. This does not indicate that there is no Commercialisation being undertaken.

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Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	2021/22 Treasury Management, Capital and Investment Strategies
Meeting/Date:	Overview and Scrutiny Panel (Performance and Growth) – Date 3rd February 2021
Executive Portfolio:	Executive Councillor for Strategic Resources: Councillor J A Gray
Report by:	Chief Finance Officer
Wards affected:	All Wards

Recommendation

The Overview and Scrutiny Panel is invited to comment on the attached;

- Treasury Management Strategy
- Capital Strategy
- Investment Strategy
- Minimum Revenue Provision Statement

Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	2021/22 Treasury Management, Capital and Investment Strategies
Meeting/Date:	Cabinet – Date 11th February 2021
Executive Portfolio:	Executive Councillor for Strategic Resources: Councillor J A Gray
Report by:	Chief Finance Officer
Wards affected:	All Wards

Executive Summary:

The Council is now required by law to approve, on an annual basis;

- Treasury Management Strategy;
- Capital Strategy
- Investment Strategy
- Minimum Revenue Provision Statement

This requirement is within CIPFA's Treasury Management in the Public Services: Code of Practice (2017), CIPFA's Prudential Code (2017), and MHCLG Guidance on Local Government Investments 2018. The revision of these codes and guidance has required the Council to produce and approve two new strategies the Capital Strategy and the Investment Strategy. The intention is that these strategies will be iterative documents and will be developed so that they contain an increasing amount of detail of the Council's plans and procedures in addition to the financial information.

The aim of the Treasury Management Strategy is to

- Manage the Council's investments, cash flows, banking, money market and capital market transactions, loans and borrowings within the requirements of an effective control environment but coupling this with the pursuit of optimum performance and yield and at the same time managing the portfolio's risk profile.

The 2021/22 Treasury Management Strategy includes:

- The operation of the strategy within an economic climate that is weak, where inflation is maintaining an above target level, and interest rates that have moved upward slightly but are forecast to remain low although possibly rising slowly into the medium term.

- The continuation of the Council's policy to use mainly short-term investments which are highly liquid and as a consequence are lower risk. This includes the use of call accounts and money market funds.

The Capital Strategy includes;

- A high level overview of the Council's capital programme and borrowing.
- The borrowing strategy and the borrowing limits

The Investment Strategy includes;

- The strategy relating to the CIS
- The management of service loans
- An overview of financial guarantees

The Minimum Revenue Provision Statement;

- The various policies to deal with the financing of capital projects
- A policy dealing with voluntary MRP for CIS purchases

Recommendations:

That the Cabinet is recommended to Council the approval of the;

1. The Treasury Management Strategy, Appendix 1.
2. The Capital Strategy, Appendix 2.
3. The Investment Strategy, Appendix 3.
4. The Minimum Revenue Provision Statement, Appendix 4.

1. WHAT IS THIS REPORT ABOUT?

1.1 The aim of the Treasury Management Strategy is to provide strategic guidance on how the Council shall conduct its Treasury Management activity. The Strategy shall:

- Include relevant policies, objectives and treasury and prudential indicators; as well as illustrating its approach to risk management.
- Comply with the Code or Practice for Treasury Management and the Prudential Code for Capital Finance (as issued by the Chartered Institute of Public Finance and Accountancy, CIPFA) and reflect published Government advice.
- Approve the way in which the Minimum Revenue Provision is calculated.

1.2 The Treasury Management Strategy is a key element of the Council's Code of Financial Management.

1.3 The Capital Strategy gives an overview of capital expenditure and financing. The strategy includes;

- The borrowing strategy
- The investment strategy
- Governance

1.4 The Investment Strategy, which includes;

- Service loans
- Property investments
- Financial guarantees

1.5 The Flexible Use of Capital Receipts Strategy, outlines how the Council intends to make use of Capital Receipts.

1.6 In addition to complying with CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition, the Council must also comply with the MHCLG's Guidance on Local Authority Investments (2017), both of which require the approval of an annual Treasury, Investment and Capital strategies before the start of each financial year. This strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 To seek Council approval for the:

i. Treasury Management Strategy, as attached at **Appendix 1** including the required indicators. The aim of the:

   - investment strategy is to provide a framework through which the Council will invest any surplus funds that balances the risk of default by the borrower against a fair rate of interest.
   - borrowing strategy is to permit borrowing for cash flow purposes and for the funding of current and future capital expenditure over whatever periods are in the Council's best interests.

ii. The Capital Strategy, which gives an overview of the capital programme and financing. **Appendix 2**

iii. The Investment Strategy, giving an overview of the CIS approved in 2015 and service based loans. **Appendix 3**

iv. The Minimum Revenue Provision policy. **Appendix 4**

2.2 For 2021/22, the Council is anticipating having a total capital financing requirement (which is both past and new capital expenditure) of £83.9m (reducing to £81.1m by 2023/24).The Council has an authorised limit for 2021/22 of £135m. It should be noted that the Minimum Revenue Provision applicable to this capital programme is fully funded and included in next year's budget and the MTFS.

2.3 The authority has and will borrow and invest substantial sums of money and is therefore exposed to financial risks including the loss of funds and the revenue effect of changes in interest rates. The identification, monitoring and control of such risks are central to the Council's Treasury Management and Investment Strategy.

2.4 In accordance with MHCLG guidance, the Council will be asked to approve a revised Treasury Management, Capital Investment Strategy, MRP Policy and a Flexible Use of Capital Receipts Strategy, should the assumptions on which it is based change significantly. Such circumstances could include an unexpected change in interest rates, a change in the capital programme or in the level of investment balance.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 The Treasury Management, Capital and Investment Strategies are a statutory requirement, thus it has to be considered in its entirety. However, the Strategy must not be viewed as a straightjacket; it is a framework within which the Council will conduct its Treasury, Investment and Capital activity.

4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

4.1 The emphasis of this report is to recognise the risks inherent in achieving a yield from investments (both treasury and commercial), and the management of that risk.

5. COMMENTS OF OVERVIEW & SCRUTINY PANEL

5.1 The comments of Overview & Scrutiny Panel (Performance and Growth) will be included in this section prior to its consideration by Cabinet.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 When approved this strategy will used as an operational document for Treasury Management, Commercial and Service Investments, as well as management of capital expenditure and financing.

7. LINK TO CORPORATE PLAN

7.1 Treasury Management comes under the “Becoming a more efficient and effective council”.

8. CONSULTATION

8.1 No consultation was needed.

9. LEGAL IMPLICATIONS

9.1 No direct, legal implications arise out of this report.

10. RESOURCE IMPLICATIONS

10.1 The resource implications are included within the report.

11. OTHER IMPLICATIONS

11.1 No other implications.

12. REASONS FOR RECOMMENDED DECISIONS

12.1 The Council is required, by law, to approve on an annual basis a:

- The Treasury Management Strategy. The purpose of which is to provide the framework within which the Council can operate its Treasury related activity.
- The Capital Strategy. The purpose of which is to give a high level overview of how capital expenditure is managed.
- The Investment Strategy. The purpose of which is to provide the framework to support service investments and commercial investments.
- Policy in respect of its Minimum Revenue Provision so it can prudently account for the revenue impacts of capital investment decisions.

13 LIST OF APPENDICES INCLUDED

Appendix 1: The Treasury Management Strategy
Appendix 2: The Capital Strategy
Appendix 3: The Investment Strategy
Appendix 4: The Minimum Revenue Provision Statement

BACKGROUND PAPERS

Working papers held in Finance

CONTACT OFFICERS

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Appendix 1

Treasury Management Strategy 2021/22

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1.0 Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

2.0 External Context (See also Appendix B)

2.1 Economic Background

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

2.2 Credit outlook

Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

2.3 Interest rate forecast

The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.1%, and that new long-term loans will be borrowed at an average rate of 1.5%.

3.0 Local Context

On the 31st December 2020, the Council held £40m of borrowing and £49.7m of investments (high due to business grants funding for Tier 2/Tier 4 and Lockdown). This is set out in further detail at Appendix C. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.20 Actual £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	43.9	55.9	56.1	55.0	53.3
CIS CFR	27.3	27.3	27.3	27.3	27.3
Less: Other debt liabilities *	0.5	0.5	0.5	0.5	0.5
Loans CFR	**71.1**	**83.7**	**83.9**	**82.8**	**81.1**
Less: External borrowing **	40.0	39.4	38.7	38.3	38.3
Internal (over) borrowing	**31.1**	**44.3**	**45.2**	**44.5**	**42.8**
Less: Usable reserves	55.5	52.0	48.5	48.0	48.0
Less: Working capital	4.0	3.8	3.6	3.4	3.4
(Investments) or New borrowing	**(28.4)**	**(11.5)**	**(6.9)**	**(6.9)**	**(8.6)**

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

** shows only loans to which the Council is committed and excludes optional refinancing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

The Council has an increasing CFR due to the capital programme, but minimal investments and will therefore not be required to borrow up to 2023/24 but depend on alternative funding sources to deliver the capital programme over the next 4 years.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2021/22.

4.0 Liability Benchmark

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £5.0m at each year-end to maintain enough liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.20 Actual £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
CFR	71.1	83.7	83.9	82.8	81.1
Less: Usable reserves	55.5	52.0	48.5	48.0	48.0
Less: Working capital	4.0	3.8	3.6	3.4	3.4
Plus: Minimum investments	5.0	5.0	5.0	5.0	5.0
Liability Benchmark	**16.6**	**32.9**	**36.8**	**36.4**	**34.7**

5.0 Borrowing Strategy

The Council currently holds £40m of loans, as part of its strategy for funding previous years' capital programmes and Commercial Investment Strategy. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2021/22. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £135.0m.

5.1 Objectives

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

5.2 Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. A HM Treasury consultation on lowering PWLB rates concluded in July 2020 but the government has yet to publish its response. In the meantime, the Authority will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Council may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

5.3 Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- HM Tresury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.4 Other sources of debt finance

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.5 Municipal Bonds Agency

UK Municipal Bonds Agency (UK MBA) plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities at a rate below PWLB. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. When the Council makes the decision to borrow, the option will be taken to consider whether the PWLB or the Municipal Bonds Agency are the most effective and efficient lender. Prior to approval to borrow from the UK MBA, separate approval will be sought from Cabinet.

5.6 LOBOs

The Council does not hold any LOBOs (Lender's Option Borrower's Option) loans. This where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.7 Short-Term and Variable Rate Loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

5.8 Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

6.0 Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the year 2020/21 to December, the Council's investment balance has ranged between £23m in March and £45m in December, these levels are expected to reduce in the forthcoming year, as the high cash balances are due to the business grants distributed on behalf of Government.

6.1 Objectives

The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.2 Negative interest rates

The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

6.3 Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to, where possible to diversify its long-term investments into more secure and higher yielding asset classes during 2020/21. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds.

6.4 Business models

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.5 Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	unlimited	n/a
Local Authorities & other government entities	25 years	£4m	Unlimited
Secured investments*	25 years	£4m	Unlimited
Banks (unsecured)*	13 months	£4m	Unlimited
Building Societies (unsecured)*	13 months	£4m	£10m
Registered providers (unsecured)*	5 Years	£4m	£10m

Money Market Funds*	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£20m
Real Estate investment trusts	n/a	£5m	£15m

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £50,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

This table must be read in conjunction with the notes below

6.6 Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

6.7 Secured investments

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

6.8 Banks and building societies unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

6.9 Registered providers

Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed. This does not include service loans which are subject to separate authorisation by Cabinet.

6.10 Money Market Funds

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will always take care to diversify its liquid investments over a variety of providers to ensure access to cash .

6.11 Strategic Pooled funds

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

6.12 Real estate investment trusts

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

6.13 Other investments

This covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

6.14 Operational Bank Accounts

The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept low and only contain balances sufficient for operational purposes. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

6.15 Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

6.16 Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

6.17 Investment Limits

The Council's revenue reserves available to cover investment losses are forecast to be £52.0m on 31st March 2021. In order that no more than 15% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£4m per broker
Foreign countries	£2m per country

6.18 Liquidity management

The Council uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

7.0 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

7.1 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

7.2 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2m

7.3 Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£128,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£128,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

7.4 Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	80%	0%
12 months and within 24 months	80%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%
20 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

7.5 Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£10m	£10m	£10m

8.0 Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

8.1 Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

8.2 Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

9.0 Financial Implications

The budget for investment income in 2021/22 is £0.05m, based on an average investment portfolio of £17.0m at an interest rate of 0.3%. The budget for debt interest paid in 2021/22 is £1.42m, based on an average debt portfolio of £40.0m at an average interest rate of 3.5%. If actual levels of investments and borrowing, or actual interest rates, differ from that forecast, performance against budget will be correspondingly different.

10.0 Other Options Considered

The CIPFA Treasury Management Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Executive Councillor for Strategic Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Arlingclose Economic & Interest Rate Forecast December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B

Local Context for Economic and Credit Environment

Economic Background

A reduction in economic activity could have an adverse effect on the Council's trading operations (e.g. CIS, Markets, Car Parks, Building Control, Development Control, leisure) as well as receipts from business rates and council tax.

In addition restricted economic growth will increase financial strain on household which may result in increased demand for Council services such as benefits, homelessness, and housing services.

Inflationary pressures could start to effect council spending. As a result there could be pressure on some budgets where costs are rising. There will also be increased pressure in the MTFS to mitigate this pressure through changes in spending and income generation. The Business Rates multiplier reflects the Bank of England's inflationary expectation, for 21/22 this was 0% uplift applied, for the purposes of the MTFS 0% has been used for 21/22 only, after that it is assumed to be 2.5% uplift.

Credit Outlook

The Council monitors credit ratings and credit default swaps, these are used to make decision about which institutions to invest with, based on the parameters set within the Treasury Management strategy

The council receives a monthly listing from its treasury management advisors (Arlingclose) showing the rates and durations for a range of financial institutions.

The Council's investments are in most of the short duration therefore, any adverse movements in credit ratings would be a signal to remove investments from those institutions.

The Council uses Natwest for its transactional banking, but keeps the investment balance held with Natwest to sufficient levels to meet operational needs.

Interest Rate Forecast

The decrease in the Bank of England rate has have a negative impact on all market rates e.g. Money Market Funds and deposit accounts rates. This has made it difficult to place surplus cash balances for return of yield, therefore any money held in any investment vehicle is for diversification in the short-term, it is unlikely that the interest rates will increase back to 0.5% in the medium term.

Existing Investment & Debt Portfolio Position

	31/12/20 Actual Portfolio £m	**31/12/20 Average Rate %**
External borrowing:		
Public Works Loan Board	39.6	**3.0**
Local authorities	0	
Other loans	0	
Total external borrowing	**39.6**	
Other long-term liabilities:		
Finance Leases	0.5	n/a
Total other long-term liabilities	**0.5**	
Total gross external debt	40.1	
Treasury investments:		
Banks & building societies (unsecured)	16.4	0.0
Government (incl. local authorities)	4.0	0.18
Corporate bonds and loans	5.9	3.9
Money Market Funds	19.4	0.11
Pooled property fund	4.0	n/a
Total treasury investments	**49.7**	
Net investments	**9.6**	

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Appendix 2

Capital Strategy 2021/22

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Appendix A Risks Inherent in the Council's Investments in Commercial Property

1.0 Why is a Strategy Needed?

1.1 Introduction

The capital strategy was a new report introduced for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.0 Capital Expenditure and Financing

2.1 Capital Expenditure

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

- ➢ For details of the Council's policy on capitalisation, see the Council's Code of Financial Management.

In 2020/21, the Council is planning capital expenditure of £16.6m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2019/20 actual £m	**2020/21 forecast £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**
General Fund services	6.2	16.6	18.2	12.4	11.5
Capital investments	14.7	0	0	0	0
TOTAL	**20.9**	**16.6**	**18.2**	**12.4**	**11.5**

The main capital projects include Future High Street Development (£12.3m) Disabled Facilities Grants (£1.8m) and Vehicle Fleet Replacement (£1.4m).

2.2 Governance

Service managers bid annually in August to include projects in the Council's capital programme. Bids are collated by the Finance team who calculate the financing cost (which can be nil if the project is fully externally financed). The Budget Review

Workshops appraised all bids based on a comparison of service priorities against financing costs and makes recommendations to the Senior Leadership Team. The final capital programme is then presented to Cabinet in February each year.

The capital project will be monitored through its lifecycle by the Project Works Board (or its equivalent).

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2019/20 actual £m	**2020/21 forecast £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**
External sources	1.8	1.4	14.1	9.7	2.0
Own resources	5.0	0.8	1.1	0.7	7.1
Debt	14.1	14.4	3.0	2.0	2.4
TOTAL	**20.9**	**16.6**	**18.2**	**12.4**	**11.5**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance

	2019/20 actual £m	**2020/21 forecast £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**
Own resources	2.9	3.3	3.8	3.4	9.9

- ➢ The Council's full minimum revenue provision statement is available as part of the MTFS report.

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to decrease by £0.4m during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
General Fund services	44.4	56.3	56.5	55.9	55.4
Capital investments	27.4	27.4	27.4	27.4	27.4
TOTAL CFR	**71.8**	**83.7**	**83.3**	**82.8**	**82.9**

2.3 Asset management

To ensure that capital assets continue to be of long-term use, the Council has various strategies to manage assets held by services

2.4 Asset disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £1.02m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
Asset sales	0.50	1.1	0.70	7.15	8.8
Loans repaid	0.31	0.32	0.32	0.32	0.32
TOTAL	**0.81**	**1.42**	**1.02**	**7.47**	**9.12**

3.0 Borrowing, debt and investments

3.1 Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council currently has £39.6m borrowing at an average interest rate of 3% and £49.7m treasury investments at an average rate of 0.98%, short-term cash is at an average rate of 0.15%

3.2 Borrowing strategy

The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.80%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 1.75%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, and leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2019/20 actual £m	**2020/21 forecast £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**
Debt (incl. PFI & leases)	40.0	39.4	38.7	38.3	38.3
Capital Financing Requirement	**71.8**	**83.7**	**83.3**	**82.8**	**82.9**

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

3.3 Liability benchmark

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to £5m at each year-end. This benchmark is currently £32.9m and is forecast to rise to £34.7m over the next three years.

Table 7: Borrowing and the Liability Benchmark in £m

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
Outstanding borrowing	40.0	39.4	38.7	38.3	38.3
Liability benchmark	16.6	32.9	36.8	36.4	34.7

The table shows that the Council expects to reduce its borrowing below its liability benchmark.

3.4 Affordable borrowing limit

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2020/21 limit	2021/22 limit
Authorised limit – General	80	80
Authorised limit – Loans	20	20
Authorised limit – CIS	35	35
Authorised limit – total external debt	**135**	**135**
Operational boundary – General	70	70
Authorised limit – Loans	15	15
Authorised limit – CIS	30	30
Operational boundary – total external debt	**115**	**115**

- Further details on borrowing are in detailed in the Treasury Management Strategy.

3.5 Investment strategy

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that could be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments

	2019/20 actual £m	**2020/21 forecast £m**	**2021/22 budget £m**	**2022/23 budget £m**	**2023/24 budget £m**
Near-term investments	12.6	35.7	15.8	13.1	5.7
Longer-term investments	10.0	10.0	10.0	10.0	10.0
TOTAL	**22.6**	**30.1**	**25.8**	**23.1**	**15.7**

- Further details on treasury investments are in the Council's Treasury Management Strategy 2021/22.

3.6 Governance

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Half-yearly reports on treasury management activity are presented to Council. The Overview and Scrutiny Panel (Performance and Growth) is responsible for scrutinising treasury management decisions

4.0 Investments for Service Purposes

4.1 Service Investments

The Council makes investments to assist local public services, including making loans to local organisations. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break-even / generate a profit after all costs.

4.2 Governance

Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the Treasury Management Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in pages in the Investment Strategy.

5.0 Commercial Activities

5.1 Purpose of commercial activity

With central government financial support for local public services declining, the Council has invested in commercial property purely or mainly for financial gain. Total commercial investments are currently valued at £54.945m with the largest being Tri-link, Wakefield at £12.5m. The total portfolio provides a net yield (rental income/valuation) of 6.5%.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include see also Appendix A for further description and mitigation.

- Declining capital values risk
- Rising borrowing costs risk
- Illiquidity of assets risk
- Void risk
- Economic environment risk
- Regulatory risk
- Policy risk
- Resource risk

In order that commercial investments remain proportionate to the size of the authority, these are subject to a 6% gross yield and contingency plans are in place should expected yields not materialise.

5.2 Governance

Decisions on commercial investments are made by the Responsible Financial Officer in line with the criteria and limits approved by Council in the Treasury Management Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are in the Investment Strategy
- Further details on the risk management of commercial investments are in the Investment Strategy

6.0 Liabilities and guarantees

6.1 Liabilities

In addition to debt of £39.6m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £65.8m). The Council has also set aside £1.9m to cover risks from NDR Appeals Provision. The Council is also at risk of having to pay for contingent liabilities (as at 31st March 2020), including Contaminated Land (£3.0m) and Municipal Mutual Insurance Liquidation (£0.65m). The Council has not put aside any money because the requirement to pay will only materialise if a future event outside the control of the council occurs.

6.2 Governance

Decisions on incurring new discretional liabilities are taken by service managers in consultation with the Responsible Financial Officer. The risk of liabilities crystallising and requiring payment is monitored by Finance. New liabilities are reported to the Responsible Financial Officer for approval/notification as appropriate.

- Further details on liabilities are included in the 2019/20 statement of accounts (page 9) Statement of Accounts 2019-20

7.0 Revenue Budget Implications

7.1 Minimum Revenue Provision

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
Financing costs (£m)	3.435	3.641	3.997	3.938	4.019
Proportion of net revenue stream	19.9%	19.7%	19.3%	20.1%	20.7%

- Further details on the revenue implications of capital expenditure are set out in the 2021/22 revenue budget.

7.2 Sustainability

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 35 years into the future. The Responsible Financial Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable, on the basis that;

- Services have been involved in the process to identify future capital requirements.
- Bids for capital expenditure have been scrutinised by the Finance and Procurement Governance Board (or its equivalent), including a presentation to the board.
- MRP has been calculated according to the approved policy.
- A business plan will need to be produced for each project before it commences.
- The capital project will be monitored by the Project Programme Board (or its equivalent).
- Capital receipt projections are prudent and based on historic experience.
- The costs of borrowing have been built into the budget and MTFS, along with due sensitivity analysis on the current and medium term costs of borrowing, these have been included in the s.25 statement within the 2021/22 Budget (and Medium Term Financial Strategy 2022/23 to 2025/26).

8.0 Knowledge and Skills

8.1 Qualifications

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Finance Manager, is a qualified accountant with 25 years' experience, and the Estates Manager is a member of the Royal Institution of Chartered Surveyors. The Council can provide junior staff with funding to study relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and Barker Storey Matthews as property consultants and other consultants as specialist tasks are identified. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found in the Council's Workforce Strategy
- The Council has a guide for use of external advisors- The Professional Services Guide.

Appendix A

Risks inherent in the Council's investments in commercial property

	Risk	Description of risk	Mitigation
A	**Falling capital value**	Reduction in the market value of the property	Commission regular condition surveys Ensure maintenance is carried out (including tenant repairs) Perform regular maintenance Plan capital improvements Monitor general market movements, if falling consider divestment of some of the portfolio Use active asset management including negotiation leases before terminations to maintain asset values
B	**Rising borrowing costs**	Increase in the cost of servicing loan interest	Only use fixed rate borrowing
C	**Illiquidity of assets**	Assets cannot be sold in the short-term	Keep sufficient funds in short-term investments Keep funds in the CCLA property fund, which is property based but is available to sell quicker than property Keep open channels to short-term borrowing Seek relationships with other local authorities that have surplus cash Maintain properties to make them more desirable if a sale is required
D	**Void risk**	Empty properties reduce rental income	Market empty properties on an active basis Keep close contact with tenants so their intentions are known Monitor tenant covenant

E	**Economic environment risk**	General economic condition worsen leading to reduced demand for commercial properties	Diversify the portfolio geographically and by type (retail, commercial, industrial)
F	**Regulatory risks**	Changes to legislation or accounting regulations effect the operation of the CIS	Maintain awareness of the direction of Government and Treasury policies. Influence policy direction through nation groups, e.g. CIPFA, LGA, s151. Respond to consultations on relevant regulation changes
G	**Policy risks**	Changes to council priorities lead to lack of corporate support for the CIS	Influence corporate policy through officer forums Maintain relationships with political leadership Market the CIS internally to ensure the strategy is understood Integrate the CIS income streams into the budget
H	**Resource risk**	Lack of resource in terms of skills and time	Pay market salaries to recruit and retain the people with the right skills and experience Provide training to keep skills up to date Have sufficient budget to buy in professional skills and advice when required Provide member commercial investment training

Appendix 3

Investment Strategy 2021/22

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1.0 Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meet2 the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2.0 Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £2.5m and £31.0m during the 2021/22 financial year.

2.1 Contribution

The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

2.2 Further Details

Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in a separate document, the treasury management strategy.

3.0 Service Investments: Loans

3.1 Contribution

The Council lends money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

Luminus – Together with Cambridgeshire County Council and health partners a need has been identified for extra care for older people in St Ives. A loan was provided to Luminus to develop a new health care scheme for frail older people at Langley Court, St Ives; which consists of 55 1 and 2 bedroom flats.

Cambridge Regional College (formerly Huntingdonshire Regional College) – A loan was provided to CRC for the redevelopment of their campus. It will ensure students are able to access quality courses and facilities; it will also be financially beneficial to both the Council and College.

Huntingdon Gymnastics Club – A loan was provided to Huntingdon Gymnasium Club to fund building a second gymnasium. At its current capacity they were not able to meet demand. The club considered the expansion of the facility at Huntingdon will serve the community as a whole and consolidate the reputation of Huntingdon Gymnastics Club as a centre of excellence.

Urban and Civic Loan – A loan was provided to Urban and Civic to fast forward the construction of Incubator II on the Enterprise Zone at Alconbury.

3.2 Security

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £'000

Borrower	**31.3.2020 actual**			**2021/22**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Luminus	4,917	0	4,917	**Limit not split across categories**
Cambridge Regional College	582	0	582	
Huntingdon Town Council	800	0	800	
Huntingdon Gymnastics Club	26	0	26	
Urban and Civic	1,984	0	1,984	
Improvement Loans	530	0	530	
Employee Loans	36	0	36	
Rental Deposits	173	0	173	
TOTAL	**9,048**	**0**	**9,048**	**15,000**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2019/20 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.3 Risk assessment

The Authority assesses the risk of loss before entering into and whilst holding service loans by:

1. A robust acquisition due diligence process and subsequent approvals
2. Liability management (reviews of debt levels and terms)
3. Borrower (financial exposures, potential defaults, changing business plans, credit rating)
4. Delivery partners (suitability, performance levels and financial stability)
5. Market factors (with periodic advice from appropriate professionals)
6. State Aid considerations
7. Professional advisors

The Dun and Bradstreet Credit Reportes are used to provide credit reports on the borrowers. The reports provide the following:

- Risk Assessment
- Trade Payments
- Legal Events
- Corporate Linkage
- Company Profile
- Financials
- Registry Info

The credit reports have a tracking feature which notifies the Council regarding any updates on a borrower's credit. Other sources such as Companies House and news sites provide the Authority with extra information to assess and monitor risk.

4.0 Service Investments: Shares

4.1 Contribution

The Council will invest in the shares of its subsidiaries, to support local public services and stimulate local economic growth. The Council will be the sole shareholder of its subsidiary HDC Ventures Limited. The purpose of HDC Ventures is to enable the Council to participate in commercial trading activities.

4.2 Security

One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows.

Table 2: Shares held for service purposes in £'000

Category of company	31.3.2020 actual			2021/22
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	100	0	100	1,000
TOTAL	**100**	**0**	**100**	**1,000**

4.3 Risk assessment

The risk will be assessed as the company matures and contracts are developed.

4.4 Liquidity

Each investment will be considered by Cabinet and the maximum period set will be on a case by case basis.

4.5 Non-specified Investments

Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5.0 Commercial Investments: Property

MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

5.1 Contribution

The Council faces considerable financial challenges over the medium term. To achieve financial sustainability, the Commercial Investment Strategy was approved. The Council invests in local and regional UK commercial property with the intention of income generation which will help fund public services. Over the last 3 years the Council has bought properties in Huntingdon, Wilbury, Sudbury, Fareham, St Neots and Wakefield.

Table 3: Property held for investment purposes in £'000

Property	Actual	31.3.2020 actual		31.3.2021 expected	
	Purchase cost	**Gains or (losses)**	**Value in accounts***	**Gains or (losses)**	**Value in accounts**
Existing Portfolio	19,644	1,581	21,225	0	21,225
2 Stonehill	1,300	400	1,800	0	1,800
80 Wilbury Way	2,185	(330)	1,870	0	1,870
Shawlands Retail Park	6,500	(2,000)	4,500	0	4,500
1400 & 1500 Parkway	5,425	(1,025)	4,400	0	4,400
Units 21a, 21b,23a,b,c Little End Road, St Neots	3,200	(300)	2,900	0	2,900
Rowley Arts Centre, St Neots	7,200	(1,850)	5,750	0	5,750
Tri-link, Wakefield	13,750	(1,250)	12,500	0	12,500
TOTAL	**59,204**	**(4,774)**	**54,945**	**0**	**54,945**

** Current valuations of investment properties are subject to 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to these valuations than normal due to the impact of Covid 19 on the property market.*

5.2 Security

In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase price.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

5.3 Risk assessment

The Authority assesses the risk of loss before entering into and whilst holding property investments. The strategic objectives of the Commercial Investment Strategy are designed to mitigate risk by:

- Having the fundamental aim of an income rather than capital return (although the latter is part of the strategy)
- Adopting a portfolio approach so as to avoid concentration of risk in any one property, tenant or risk type

In addition, CIS risk will be managed having regard to the following factors:

1. A robust acquisition due diligence process and subsequent approvals
2. Asset management plans and on-going reviews
3. Liability management (reviews of debt levels and terms)
4. Tenants (financial exposures, potential defaults, changing business plans, credit rating)
5. Portfolio factors including occupancy levels, operating costs.
6. Delivery partners (suitability, performance levels and financial stability)
7. Market factors (with periodic advice from appropriate professionals)
8. State Aid considerations
9. Professional advisors

External advisors are used when appropriate e.g. to undertake independent valuations prior to acquisition, asset valuation or when there is a lack of expertise in-house regarding an industry.

The Dun and Bradstreet Credit Reporter are used to provide credit reports on the tenants. The reports provide the following:

- Risk Assessment
- Trade Payments
- Legal Events
- Corporate Linkage
- Company Profile
- Financials
- Registry Info

The credit reports have a tracking feature which notifies the Council regarding any updates on a tenant's credit. Other sources such as Companies House and news sites provide the Authority with extra information to assess and monitor risk.

5.4 Liquidity

Compared with other investment types, property is relatively difficult to sell and convert to cash at very short notice. To ensure that the invested funds can be accessed or liquidated the Council will review investments regularly to ensure rental income is maximised (through rent reviews and lease renewals) and undertake asset management (re-letting, repairs, improvements etc) to ensure any proceeds from sale are maximised if assets are liquidated. Regular review of the property investment market will identify potential changes in market conditions and identify optimum opportunities to sell assets.

6.0 Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority. At this moment in time the Council doesn't have any financial guarantees.

7.0 Proportionality

The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plans for continuing to provide these services, are to use reserves where necessary to offset any negative variances in the final outturn. Unallocated general fund balances and budget surplus reserve can be used in case of a downturn in investment income to meet any detrimental effect.

Table 4: Proportionality of Investments in £'000

	2019/20 Actual	2020/21 Forecast (December)	2021/22 Budget	2022/23 Budget	2023/24 Budget
Gross service expenditure	76,067	74,905	71,922	60,661	61,209
Investment income	3,670	3,759	3,848	3,805	3,829
Proportion	4.82%	5.01%	5.35%	6.27%	6.25%

8.0 Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

The Authority has chosen not to follow this guidance and has previously borrowed to invest in commercial property, and may continue to do so in the future. Despite reduced central government funding, the Council still wants to provide a cost effective service to the district. By using the income streams from it property investments it is able to do this. The risks of commercial investment are satisfactorily managed by precautions outlined within the commercial investment strategy, and this strategy. Also The Capital Strategy includes as an Appendix (Capital Strategy Appendix A) a list of the risks and mitigations of commercial investments.

Loans financing CIS purchases are required to be directly linked to the commercial investment strategy asset and the link can only be broken by a specific decision of full council. The risks of commercial investment are satisfactorily managed by precautions outlined within the commercial investment strategy.

9.0 Capacity, Skills and Culture

9.1 Elected members and statutory officers

Through quarterly formal Treasury and Capital Management Group meetings, members are provided with updates on:

- The property investment market.
- Performance of current property assets – income growth, capital values, voids and debt.
- Review of investment opportunities investigated.
- Analysis of the investment portfolio by value, location, and property type.

More informal and regular updates are provided on the progress of individual key transactions, opportunities and market changes.

Key staff are appropriately professionally qualified, maintain annual CPD and maintain professional networks with other investors and advisors.

9.2 Commercial Deals

The Commercial Estates and Finance teams are co-located and work closely to ensure the core principles of the prudential framework are maintained, co-authoring guidance notes and reviewing any revision to published guidelines.

9.3 Corporate governance

The Commercial Investment Strategy has published delegated authority levels and process for investment decisions, these are adhered to.

The Treasury and Capital Management Group are consulted early on any investment opportunities and provided with regular progress reports in addition to formal approval reports and a further report on due diligence findings prior to formal commitments. A report to Cabinet in relation to the purchase is made before the deal is finally completed.

10.0 Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

10.1 Total risk exposure

The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £'000

Total investment exposure	**31.03.2020 Actual**	**31.03.2021 Forecast**	**31.03.2022 Forecast**
Treasury management investments	7,759	5,000	5,000
Service investments: Loans	9,048	9,048	9,048
Service investments: Shares	100	100	100
Commercial investments: Property	54,945	54,945	54,945
TOTAL INVESTMENTS	**71,852**	**69,093**	**69,093**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**71,852**	**69,093**	**69,093**

10.2 How investments are funded

Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £'000

Investments funded by borrowing	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	0	0	0
Service investments: Loans	5,709	5,178	4,647
Service investments: Shares	0	0	0
Commercial investments: Property	24,255	24,255	24,255
TOTAL FUNDED BY BORROWING	**29,964**	**29,433**	**28,902**

10.3 Rate of return received

This indicator compares the investment income received to the purchase price of the investment. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment yield (net of all costs)

Investments yield	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.43%	0.1%	0.1%
Service investments: Loans	3.96%	3.89%	3.89%
Service investments: Shares	0%	0%	0%
Commercial investments: Property	6.7%	6.8%	7.0%
ALL INVESTMENTS	**5.9%**	**6.4%**	**6.4%**

Table 8: Other investment indicators

Indicator	**2019/20 Actual**	**2020/21 Forecast**	**2021/22 Forecast**
Interest Cover Ratio	3.7	3.11	3.5
Loan to Value Ratio	93.8%	93.8%	93.8%
Gross Rent Multiplier	12.3	12.4	12.5

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Appendix 4

MINIMUM REVENUE PROVISION STATEMENT 2021/22

1.0 Introduction

1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2003, Councils, are expected to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement, and recommends a number of options for calculating a prudent amount of MRP.

1.4 The Council has a number of MRP policies reflecting the range of capital financing options required for different service scenarios.

2.0 MRP Policy - General

2.1 The following statement incorporates options recommended in the Guidance;

2.2 The actual Policy is:

i. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate based on long-term borrowing rates, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

ii. For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

iii. In respect of:
   - capital assets; MRP will be chargeable in the year following the agreement of any final account.
   - other capital investments; MRP will be chargeable in the following financial year.

3.0 MRP Policy - Loans to Organisations

3.1 The aim of the policy is to facilitate the provision of finance (for asset creation purposes) to organisations, with the Council sourcing the finance from third parties, but to ensure that the incidence of debt finance is directly neutralized within the Councils balance sheet.

3.2 The actual policy is:

Where loans are made to other bodies for their capital expenditure, and the principal repayments are received at least on an annual basis, no MRP will be charged, because the loan repayments will be applied to the CAA, so reducing the CFR in the same manner as MRP.

If principal repayments are not being made then MRP will be charged.

4.0 MRP Policy – Financing Expenditure with Annuity Loans

4.1 This Policy was originally approved on 22nd February 2016 and has been amended for 2018/19. The aim of this policy is to determine the neutralization of MRP when Annuity Loans are used to finance CIS asset, and investments.

4.2 The actual policy is:

For each capital investment undertaken under the requirements of the Council's Commercial Investment Strategy, where it has been decided that an Annuity Loan is advantageous, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment.