Huntingdonshire DISTRICT COUNCIL

Dear Councillor

OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND GROWTH) - WEDNESDAY, 2 FEBRUARY 2022

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.

5. **FINAL 2022/23 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2023/24 TO 2026/27**(Pages 3 - 50)
   The Panel is invited to comment upon the Final 2022/23 Budget and Medium-Term Financial Strategy 2023/24 to 2026/27. Annex A, Fees and Charges Schedule document to follow.

6. **022/23 TREASURY MANAGEMENT, CAPITAL AND INVESTMENT STRATEGIES**(Pages 51 - 112)
   The 2022/23 Treasury Management, Capital and Investment Strategies are to be presented to the Panel.

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Public
Key Decision - yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Final 2022/23 Revenue Budget & Medium Term Financial Strategy (2023/24 to 2026/27); including the Capital Programme
Meeting/Date:	Overview & Scrutiny (Performance & Growth) – 2 February 2022
Executive Portfolio:	Executive Councillor for Strategic Finance (JG)
Report by:	Chief Finance Officer (ES)
Ward(s) affected:	All

Executive Summary:

This report sets out the Councils Revenue and Capital budget proposals for the 2022/23 Final Budget and the Medium-Term Financial Strategy (2023/24 to 2026/27). 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 2022/23 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**

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Public
Key Decision - Yes

APPENDIX A

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Final 2022/23 Revenue Budget and Medium-Term Financial Strategy (2023/24 to 2026/27); including the Capital Programme
Meeting/Date:	Cabinet – 10 February 2022
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 2022/23 and the revised MTFS for the period 2023/24 to 2026/27 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 increase of 3.43% (equating to £5) for 2022/23 and then £5 increase per annum for the duration of the MTFS. The budget also includes the Capital Programme 2022/23 to 2026/27.

The Final Budget 2022/23 gives a Net Service Expenditure Budget of £21.5m; the detailed Final Budget 2022/23 and MTFS is shown at **Appendix 1**.

In 2022/23, the MTFS makes a £250k contribution to Reserves. The 'Plan on a Page' at **Appendix 2** reflects the final budget**.**

Recommendations:

That the Cabinet recommends to Council the approval of the:

- overall Final Budget 2022/23 and MTFS 2023/24 to 2026/27 (**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:

- impacts on reserves.
- level of Council Tax.
- consideration of the Resolution that will be presented to Full Council on the 23 February 2022
- risks associated with the budget and relevant sensitivity analysis.

2. BACKGROUND

2.1 In respect of 2022/23, the Final Budget shows:

- a budget with net expenditure of £21.5m and a Budget Requirement of £21.8m,
- an MTFS that has a profiled decrease in the Budget Requirement to £20.0m by 2026/27.
- a Capital Programme of £23.5m for 2022/23, that reduces to £3.3m by 2026/27; with net internal funding of £5.4m and £1.4m respectively.

2.2 In respect of 2022/23, the Final Budget includes:

- savings and additional income of £1.757m.
- growth of £0.98m.
- the provisional finance settlement of £2.1m in respect of New Homes Bonus and no Revenue Support Grant.
- an estimate of £6.5m for Business Rates related income and the Collection Fund.

3. SUMMARY BUDGET 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY 2023/24 TO 2026/27

3.1 The 2022/23 Budget and Medium-Term Financial Strategy is shown in **Table 1**.

Table 1	**Council Services Net Expenditure Budget (2022/23) and MTFS**						
	2021/22		**2022/23**	**Medium Term Financial Strategy**			
	Budget	**Forecast (August)**	**Budget**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Operating Officer	4,350	4,771	4,919	4,782	4,929	5,082	5,239
Assistant Director Transformation	298	408	298	304	381	420	514
Assistant Director Corporate Resources	6,896	6,464	6,878	7,058	6,917	6,653	6,705
Head of Leisure & Health	522	515	(25)	(104)	(206)	(105)	(4)
Head of Operations	4,621	4,458	4,483	4,002	4,107	4,207	4,376
Head of 3C's ICT Shared Service	2,338	2,363	2,604	2,731	2,835	2,928	2,936
Corporate Leadership Team	619	658	1,201	710	725	739	753
Programmes Delivery Manager	71	71	73	74	76	77	79
Housing Manager	180	178	187	191	194	198	202
Planning Manager	791	1,234	896	961	1,010	1,028	1,047
Net Expenditure	**20,686**	**21,120**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**

Table 2	**Council Funding Statement Budget (2022/23) and MTFS**						
			Funding Streams and Council Tax Requirement				
	2021/22		**2022/23**	**Medium Term Financial Strategy**			
	Budget	**Forecast (August)**	**Budget**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net Expenditure	**20,686**	**21,120**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**
Contribution to/(from) Earmarked Reserves:	-	(1,430)					
Budget Surplus	-					-	-
General Reserves	776	973	249	(2,480)	(2,212)	(1,797)	(1,822)
Budget Requirement	**21,462**	**20,663**	**21,763**	**18,229**	**18,756**	**19,430**	**20,025**
Non-Domestic Rates	(6,080)	(6,080)	(6,485)	(5,595)	(5,725)	(5,855)	(5,900)
Non-Domestic Rates (Growth Pilot)	-		-	-	-	-	-
S31 Grant	(2,176)	(2,176)	(2,472)	(1,624)	(1,628)	(1,633)	(1,633)
Revenue Support Grant (RSG)	-	-	-	(235)	(109)	(115)	(115)
Fair Funding Review Adjustment	82	-	-	-	-	-	-
New Homes Bonus	(2,014)	(2,014)	(2,116)	-	-	-	-
Collection Fund (Surplus) / Deficit	(296)	(296)	104	-	-	-	-
Council Tax Support Funding	(189)	-	(126)	(126)	(126)	(126)	(126)
22/23 Service Grant			(316)	-	-	-	-
HB Admin Support Grant			(370)	(370)	(370)	(370)	(370)
Income Compensation Scheme (Q1)	(595)	(595)	-	-	-	-	-
Covid 19 Funding (tranche 5)	(758)	-	-	-	-	-	-
Rural Services Grant			(45)	(45)	(45)	(45)	(45)
Local Tier Service Grant	(195)	(261)	(206)	-	-	-	-
Council Tax Requirement	**9,241**	**9,241**	**9,731**	**10,234**	**10,753**	**11,286**	**11,836**
- **Base (*)**	**63,355**	**63,355**	**64,501**	**65,662**	**66,844**	**68,047**	**69,272**
- **Per Band D (£)**	**145.86**	**145.86**	**150.86**	**155.86**	**160.86**	**165.86**	**170.86**
- **Increase (£)**			**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
- **Increase %**			**3.43%**	**3.31%**	**3.21%**	**3.11%**	**3.01%**

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". In 2022/23 budget there is a budgeted surplus of £0.249m. 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 2021/22 have been allocated to the General Fund consistent with last year.

3.3 Over the MTFS period the budget gap by 2026/27 is £1.8m.

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.

GENERAL RESERVES MOVEMENT							
Table 3	**Reserves and MTFS**						
	2021/22		**2022/23**	**Medium Term Financial Strategy**			
	Budget £000	**Forecast £000**	**Budget £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**
BUDGET SURPLUS RESERVE							
b/f	**3,031**	**3,250**	**4,223**	**4,472**	**1,992**	**-**	**-**
Contribution from (to) General Fund	776	973	249	(2,480)	(2,212)	(1,797)	(1,822)
Contribution from (to) CIS Reserve			-	-	220	1,797	1,822
Contribution from (to) Earmarked Reserves	(58)						
c/f	**3,749**	**4,223**	**4,472**	**1,992**	**-**	**-**	**-**
COMMERCIAL INVESTMENT RESERVE							
b/f	**3,536**	**5,595**	**5,399**	**5,399**	**5,399**	**5,179**	**3,382**
Contribution to Reserve (former NHB)		-	-	-	-	-	-
Contribution from Reserve	*(38)*	*(196)*	-	-	-	-	-
Contribution from (to) General Fund	-	-	-	-	-	-	-
Contribution from (to) Budget Surplus Reserve	-	-	-	-	(220)	(1,797)	(1,822)
c/f	**3,498**	**5,399**	**5,399**	**5,399**	**5,179**	**3,382**	**1,559**
GENERAL FUND (Unallocated) RESERVE							
b/f	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Contribution to/(from) Reserve	*776*	*973*	*249*	*(2,480)*	*(2,212)*	*(1,797)*	*(1,822)*
Contribution from(to) Budget Surplus	(776)	(973)	(249)	2,480	2,212	1,797	1,822
c/f	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Net Expenditure	20,686	21,120	21,514	20,709	20,968	21,227	21,847
Minimum Level of Reserves	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**

4. PLAN-ON-A-PAGE 2022/23 TO 2026/27

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 2022/23 "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 increased to £1.8m by the end of the MTFS (2025/26) – an increase of £1.6m when compared to last years "Plan on a Page". **Table 4** below gives a summary of the budget changes.

Table 4	Budget Changes that have reduced the "Plan on a Page" Forecast Savings required		
		£m	£m
2021/22 Budget and MTFS - Forecast Savings Required			0.200
Income Generation	Council Tax & Base	(0.200)	
	Commercialisation	0.000	
	Funding Changes	0.200	0.000
Efficiencies & Growth	Budget Review	0.700	
	Service Growth	0.900	
	Transformation Savings	0.000	1.600
2022/23 Budget and MTFS - Forecast Savings Required			1.800

5. ROBUSTNESS OF THE 2022/23 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2023/24 TO 2026/27

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 narrative 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 2022/23 an excess budget requirement is achieved which makes a direct contribution to Reserves of £0.249m.

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.

iii. Over the 5 years of the MTFS (next year and the subsequent four years) the total net contribution from reserves is £8.1m.

5.3 Considering all the factors noted within the "Robustness" statement in respect of the 2022/23 Budget, it is considered that the combination of the council's:

- commitment to continue to find service efficiencies,
- intended direction of travel in relation to governance,
- clear indication to invest in services,
- 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 sent following the meeting of the Panel and prior to the reports 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 2022/23 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 2022/23 budget forms an integral part of the service planning process for 2022/23 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 2022/23 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 2022/23 Budget and MTFS
- The risks and impacts included within 2022/23 Budget and MTFS.

14. LIST OF APPENDICES INCLUDED

Appendix 1: 2022/23 Final Budget & Medium Term Financial Strategy 2023/24 to 2026/27.
Appendix 2: Plan on a Page.

BACKGROUND PAPERS
Working papers in Resources; Accountancy Services

CONTACT OFFICER

Eric Symons, Chief Finance Officer

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Appendix 1

FINAL

2022/23 Budget

&

Medium Term Financial Strategy

2023/24

To

2026/27

Contents

1.0 STRATEGIC BUDGET SUMMARY

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

1.1.1 The financial climate has been unusual during the Covid 19 pandemic and it has made considerable changes to what we spend and how that spending is funded. Over the Autumn of 2021, 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 (2022/23) and the MTFS period (2023/24 to 2026/27) and how any impact could be mitigated by any potential savings or efficiencies in delivery of services. Furthermore, the financial settlement for government is only for the next financial year rather than a longer period, so there remains some uncertainty for future years.

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 to fund services and acting as a hedge against inflation.

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 22/23.

1.1.5 Growth has appeared within the budget from four main sources:

- 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 2022/23 are £778k and **Table 1** below shows how this is allocated by service.

1.1.7 The 2022/23 budget, as shown in table 5, is set to make a positive contribution to general reserves of £249k. When the 2021/22 budget was set it intended to make a contribution to reserves of £776k. Quarter 2 (Q2) forecast outturn indicates a £973k contribution to reserves for 2021/22.

Table 1	Service Savings and Growth Proposals		
Service	**Budget Savings £000**	**Budget Growth £000**	**Total £000**
Chief Operating Officer	(398)	470	72
Assistant Director Transformation	0	25	25
Assistant Director Corporate Resources	(357)	66	(291)
Head of Leisure & Health	0	0	0
Head of Operations	(45)	175	130
Head of 3C's ICT Shared Service	(551)	243	(308)
Corporate Leadership Team	(5)	0	(5)
Programmes Delivery Manager	0	0	0
Housing Manager	0	0	0
Planning Manager	(401)	0	(401)
Total	**(1,757)**	**979**	**(778)**

- **Commercial Investment Strategy**

1.1.8 A key part of the Council's previous Budget strategy has been the Commercial Investment Strategy (CIS), as approved by the Council in 2015. The Council's Commercial Investments contribute a significant proportion of income to our budgets, and income has remained extremely strong throughout the pandemic. Investing in the property market remains challenging, never more so in the current climate. Even before the start of COVID19, the Cabinet signalled a change in investment emphasis towards acquisitions/investments that 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, particularly on retail and office space, it is difficult to predict how the market will emerge from this pandemic, although it should be stressed that HDC's portfolio is built around investments we plan to hold for the medium to long term. The table below illustrates the contribution that the Commercial Investment Strategy makes to the council's finances.

Actual 20/21	**Budget 21/22**	Forecast 21/22	**Budget 22/23**	**Budget 23/24**	**Budget 24/25**	**Budget 25/26**	**Budget 26/27**
£m	**£m**	£m	**£m**	**£m**	**£m**	**£m**	**£m**
3.3	**2.7**	3.3	**3.0**	**2.8**	**3.2**	**3.4**	**3.4**

- **Capital – Revenue Implications**

1.1.9 The revenue budget contains any implications from the proposed capital programme for 2022/23 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 2021/22 to Final Budget 2022/23**

1.1.10 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 £0.828m (4%) when compared to the 2021/22 Original Budget and an increase of £0.394m (2%) when compared to the 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 2021/22 to Base Budget 2022/23)											
Service	2021/22		2022/23								Variance	
	Forecast Outturn	Original Budget	Previously Approved	Growth Bids				Inflation	Other Operational Adjustments	Proposed Budget	To 2021/22 Forecast	To 2021/22 Budget
				Growth	Savings	Increased Income	Linked to Capital					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	%	%
Chief Operating Officer	4,771	4,350	4,530	470	(61)	(337)	0	290	28	4,920	3%	13%
Assistant Director Transformation	408	298	277	25	0	0	0	(4)	0	298	(27%)	0%
Assistant Director Corporate Resources	6,464	6,896	7,040	66	(241)	(116)	0	144	(15)	6,878	6%	0%
Head of Leisure & Health	515	522	(30)	0	0	0	0	5	0	(25)	(105%)	(105%)
Head of Operations	4,458	4,621	3,996	175	(45)	0	0	20	336	4,482	1%	(3%)
Head of 3C's ICT Shared Service	2,363	2,338	2,286	243	0	(551)	0	480	146	2,604	10%	11%
Corporate Leadership Team	658	619	631	0	(5)	0	0	6	569	1,201	83%	94%
Programmes Delivery Manager	71	71	72	0	0	0	0	1	0	73	3%	3%
Housing Manager	178	180	183	0	0	0	0	4	0	187	5%	4%
Planning Manager	1,234	791	858	0	0	(401)	0	20	419	896	(27%)	13%
Net Expenditure	**21,120**	**20,686**	**19,843**	**979**	**(352)**	**(1,405)**	**0**	**966**	**1,483**	**21,514**		
Forecast Outturn	21,120				394					21,514	2%	
Budget		20,686			828					21,514		4%

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 16 December 2021 the Government provisionally made an announcement in respect of New Homes Bonus and that the 2022/23 settlement is expected be £2.12m, this is £1.7m more than expected in the 2021/22 MTFS. The Government's intention is to phase out the grant gradually being reduced to zero by 2023/24.

- On the 16 December 2021, the Government provisionally confirmed that the Revenue Support Grant (RSG) 2022/23 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. As the Fair Funding Review continues to be delayed, the 2022/23 MTFS provides for prudent RSG payments for the MTFS 2023/2024 to 2026/2027 in accordance with expert advice.

Council Tax and Business Rates

1.2.2 There is an assumption within the 2022/23 Budget that there will be a Council Tax increase of 3.43% (equating to £5) for a Band D property. The Local Government Financial Settlement 22/23 confirmed the referendum principle for Council Tax increases of up to 2 per cent or £5, whichever is higher, for shire district councils. From 23/24 over the remaining term of the MTFS Council Tax will be increased by £5 per annum. Therefore, the Council Tax for 2022/23 will be £150.86 per Band D equivalent property.

Council Tax					
	2018/19	2019/20	2020/21	2021/22	2022/23
	£138.56	£142.16	145.86	£145.86	£150.86
% increase on previous		2.6%	2.6%	0%	3.43%
Cumulative % increase		2.6%	5.3%	5.3%	8.9%

1.2.3 The Council receives 40% of the Business rates collected and, after allowing for the tariff payment, it estimates this to be £6.48m in 2022/23, this is an increase of 6.7% from the previous year. The increase assumes growth in 2022/23 and 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

1.2.4 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.

1.2.5 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.

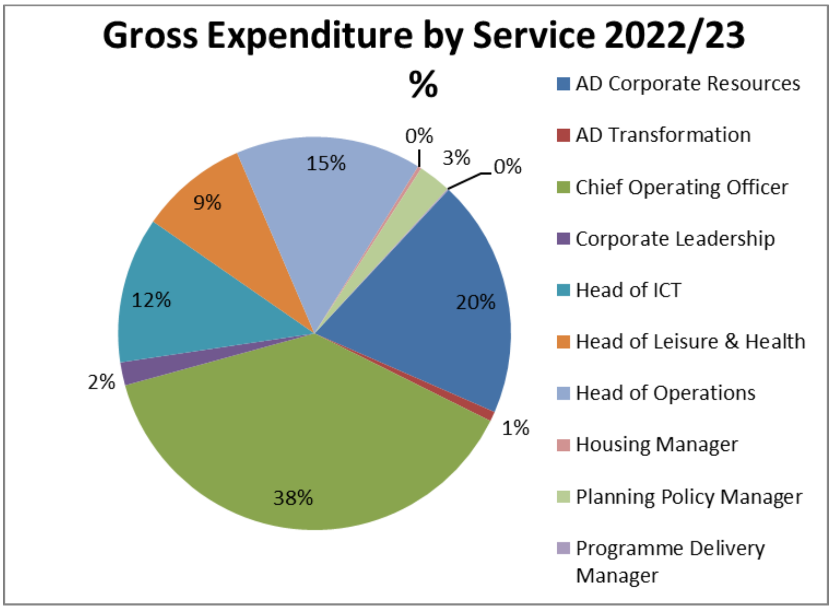
Table 3	**Collection Fund Estimated Deficit 2021/22**	
	Deficit £000	**HDC Share £000**
Council Tax	778	104
Total	**778**	**104**

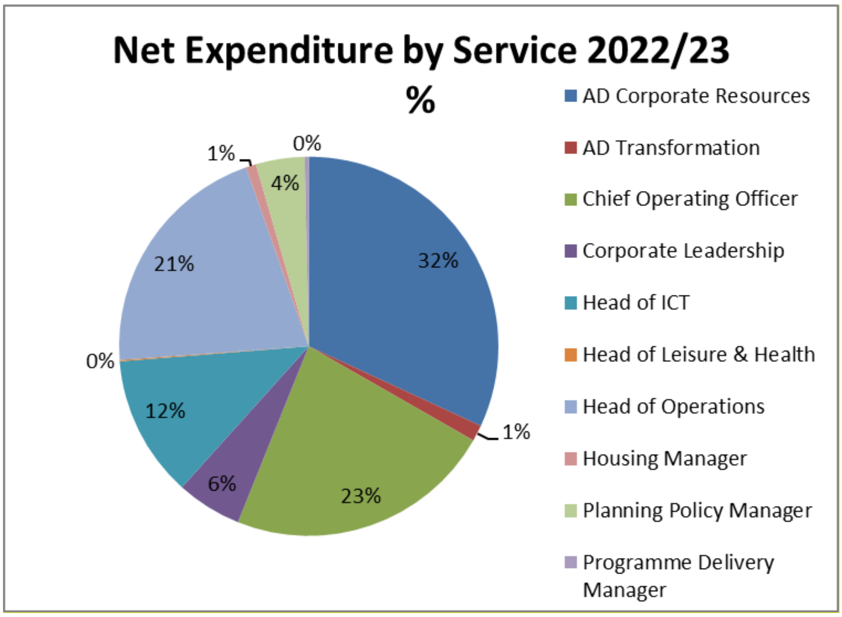
1.3 Summary Budget

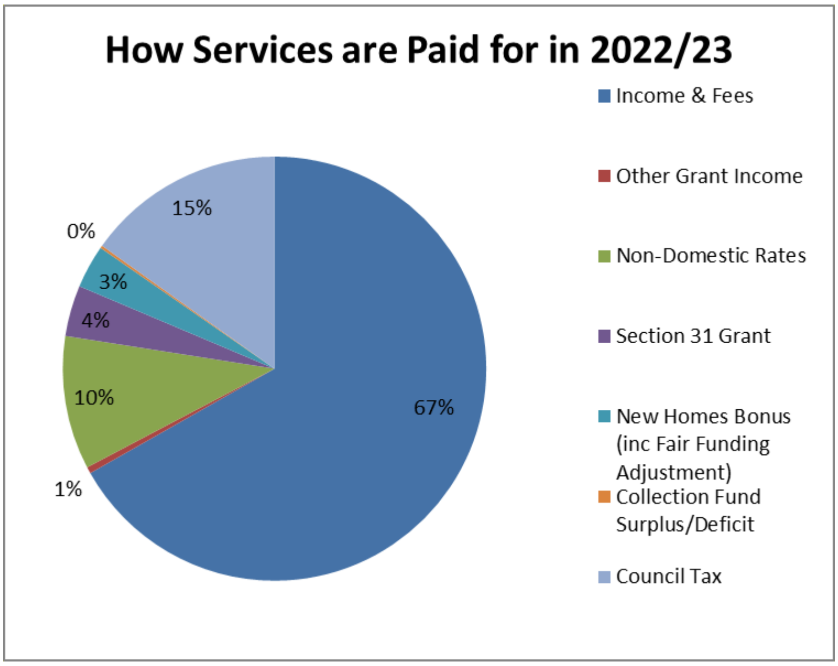
1.3.1 Considering the 3.43% increase in Council Tax for 2022/23 and the lower than 3.43% annual increase over the MTFS period, this results in the funding statement shown in **Table 4** and **Table 5** below.

Table 4	Council Services Net Expenditure Budget (2022/23) and MTFS						
	2021/22		2022/23	Medium Term Financial Strategy			
	Budget	Forecast	Budget	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000	£000	£000
Chief Operating Officer	4,350	4,771	4,919	4,782	4,929	5,082	5,239
Assistant Director Transformation	298	408	298	304	381	420	514
Assistant Director Corporate Resources	6,896	6,464	6,878	7,058	6,917	6,653	6,705
Head of Leisure & Health	522	515	(25)	(104)	(206)	(105)	(4)
Head of Operations	4,621	4,458	4,483	4,002	4,107	4,207	4,376
Head of 3C's ICT Shared Service	2,338	2,363	2,604	2,731	2,835	2,928	2,936
Corporate Leadership Team	619	658	1,201	710	725	739	753
Programmes Delivery Manager	71	71	73	74	76	77	79
Housing Manager	180	178	187	191	194	198	202
Planning Manager	791	1,234	896	961	1,010	1,028	1,047
Net Expenditure	**20,686**	**21,120**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**

Table 5	Council Funding Statement Budget (2022/23) and MTFS						
			Funding Streams and Council Tax Requirement				
	2021/22		2022/23	Medium Term Financial Strategy			
	Budget	Forecast	Budget	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000	£000	£000
Net Expenditure	**20,686**	**21,120**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**
Contribution to/(from) Earmarked Reserves:	-	(1,430)					
Budget Surplus	-					-	-
General Reserves	776	973	249	(2,480)	(2,212)	(1,797)	(1,822)
Budget Requirement	**21,462**	**20,663**	**21,763**	**18,229**	**18,756**	**19,430**	**20,025**
Non-Domestic Rates	(6,080)	(6,080)	(6,485)	(5,595)	(5,725)	(5,855)	(5,900)
Non-Domestic Rates (Growth Pilot)	-		-	-	-	-	-
S31 Grant	(2,176)	(2,176)	(2,472)	(1,624)	(1,628)	(1,633)	(1,633)
Revenue Support Grant (RSG)	-	-	-	(235)	(109)	(115)	(115)
Fair Funding Review Adjustment	82	-	-	-	-	-	-
New Homes Bonus	(2,014)	(2,014)	(2,116)	-	-	-	-
Collection Fund (Surplus) / Deficit	(296)	(296)	104	-	-	-	-
Council Tax Support Funding	(189)	-	(126)	(126)	(126)	(126)	(126)
22/23 Service Grant			(316)	-	-	-	-
HB Admin Support Grant			(370)	(370)	(370)	(370)	(370)
Income Compensation Scheme (Q1)	(595)	(595)	-	-	-	-	-
Covid 19 Funding (tranche 5)	(758)	-	-	-	-	-	-
Rural Services Grant			(45)	(45)	(45)	(45)	(45)
Local Tier Service Grant	(195)	(261)	(206)	-	-	-	-
Council Tax Requirement	**9,241**	**9,241**	**9,731**	**10,234**	**10,753**	**11,286**	**11,836**
- Base (*)	**63,355**	**63,355**	**64,501**	**65,662**	**66,844**	**68,047**	**69,272**
- Per Band D (£)	**145.86**	**145.86**	**150.86**	**155.86**	**160.86**	**165.86**	**170.86**
- Increase (£)			**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
- Increase %			**3.43%**	**3.31%**	**3.21%**	**3.11%**	**3.01%**


Gross Expenditure by Service 2022/23
%
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
0%
3%
0%
15%
9%
12%
20%
2%
1%
38%


Net Expenditure by Service 2022/23
%
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
1%
0%
4%
21%
32%
0%
12%
1%
6%
23%


How Services are Paid for in 2022/23
Income & Fees
Other Grant Income
Non-Domestic Rates
Section 31 Grant
New Homes Bonus (inc Fair Funding Adjustment)
Collection Fund Surplus/Deficit
Council Tax
15%
0%
3%
4%
10%
67%
1%

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 2022/23 and MTFS is shown in **Table 6** below.

GENERAL RESERVES MOVEMENT							
Table 6	**Reserves and MTFS**						
	2021/22		**2022/23**	**Medium Term Financial Strategy**			
	Budget £000	**Forecast £000**	**Budget £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**
BUDGET SURPLUS RESERVE							
b/f	**3,031**	**3,250**	**4,223**	**4,472**	**1,992**	**-**	**-**
Contribution from (to) General Fund	776	973	249	(2,480)	(2,212)	(1,797)	(1,822)
Contribution from (to) CIS Reserve			-	-	220	1,797	1,822
Contribution from (to) Earmarked Reserves	(58)						
c/f	**3,749**	**4,223**	**4,472**	**1,992**	**-**	**-**	**-**

COMMERCIAL INVESTMENT RESERVE							
b/f	**3,536**	**5,595**	**5,399**	**5,399**	**5,399**	**5,179**	**3,382**
Contribution to Reserve (former NHB)		-	-	-	-	-	-
Contribution from Reserve	*(38)*	*(196)*	-	-	-	-	-
Contribution from (to) General Fund	-	-	-	-	-	-	-
Contribution from (to) Budget Surplus Reserve	-	-	-	-	(220)	(1,797)	(1,822)
c/f	**3,498**	**5,399**	**5,399**	**5,399**	**5,179**	**3,382**	**1,559**

GENERAL FUND (Unallocated) RESERVE							
b/f	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Contribution to/(from) Reserve	*776*	*973*	*249*	*(2,480)*	*(2,212)*	*(1,797)*	*(1,822)*
Contribution from(to) Budget Surplus	(776)	(973)	(249)	2,480	2,212	1,797	1,822
c/f	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**
Net Expenditure	20,686	21,120	21,514	20,709	20,968	21,227	21,847
Minimum Level of Reserves	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**	**2,175**

1.4.2 Contributions to Earmarked Reserves occur when budget is identified for specific purposes and will only be available for those specific purposes. Contributions from Earmarked Reserves occur when the specific purpose for which the budget was identified has been delivered. This approach matches costs and funding.

2.0 REVENUE OPERATIONAL BUDGETS AND MEDIUM TERM FINANCIAL STRATEGY

2.1 Subjective Analysis of Spend and Income

Huntingdonshire District Council — **Table 7**

Actuals 2020/21	Subjective Analysis : Controllable Only		2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£000			£000	£000	£000	£000	£000	£000
-	**Income & Fees**	Commuted sums	(151)	(82)	(82)	(82)	(82)	(82)
(11,587)		Fees & charges	(14,796)	(16,757)	(17,523)	(17,757)	(17,797)	(17,804)
(84,629)		Government grants	(27,018)	(15,655)	(15,654)	(15,654)	(15,654)	(15,654)
(3,644)		Other grants and contributions	(3,211)	(4,266)	(4,032)	(4,001)	(3,929)	(3,853)
(5,094)		Rent	(4,803)	(4,859)	(4,793)	(5,105)	(5,278)	(5,296)
(698)		Sales	(725)	(555)	(562)	(593)	(597)	(597)
-		NDR	-	(28)	-	-	-	-
(481)		Interest Income	(533)	(533)	(533)	(533)	(533)	(533)
(51)		Developer Contributions	-	(46)	(47)	(48)	(49)	(49)
(106,184)	**Income & Fees Total**		**(51,236)**	**(42,782)**	**(43,227)**	**(43,773)**	**(43,920)**	**(43,867)**
281	**Employees**	Employee Insurance	335	335	335	335	335	335
1,627		Hired Staff	326	321	301	301	248	248
1,633		National Insurance	1,682	1,940	1,986	2,052	2,119	2,188
498		Other staff costs	1,698	1,713	1,713	1,713	1,713	1,713
4,473		Pension	3,114	3,253	3,301	3,374	3,451	3,530
49		Recruitment	109	36	36	36	36	36
18,037		Salary	18,768	20,314	20,614	21,095	21,515	22,001
36		Services	36	36	36	36	36	36
472		Severance payments	171	152	152	152	152	152
142		Training	130	126	126	126	126	126
96		Uniform & laundry	38	44	44	44	44	44
27,343	**Employees Total**		**26,407**	**28,270**	**28,644**	**29,263**	**29,774**	**30,408**
573	**Buildings**	Energy Costs	816	782	782	780	780	780
29		Ground Maintenance Costs	14	15	14	14	14	14
216		Premises Cleaning	231	67	54	54	54	54
81		Premises Insurance	122	123	124	124	125	125
11		Rates	7	7	7	7	7	7
7		Rents	13	13	13	13	13	13
549		Repairs & Maintenance	709	786	820	797	802	802
150		Water Services	174	159	159	159	159	159
1,292		Rents Payable	1,478	1,503	1,610	1,530	1,566	1,573
2,907	**Buildings Total**		**3,564**	**3,456**	**3,583**	**3,479**	**3,520**	**3,527**
	Supplies & Services	Catering	22	5	5	5	5	5
1,355		Communication and computing	1,111	1,119	1,192	1,194	1,194	1,195
4,282		Equipment, furniture & materials	2,745	3,694	3,676	3,704	3,722	3,645
		Expenses	-	-	-	-	-	-
92		Insurance - service related	88	89	91	92	92	92
381		Members Allowances	417	437	432	432	432	432
482		Office expenses	449	470	472	472	472	472
-		Operating Costs	-	-	-	-	-	-
		Other staff costs	-	-	-	-	-	-
5		Premises Cleaning	-	74	74	74	74	74
3		Repairs & Maintenance	-	-	-	-	-	-
6,596		Services	6,284	7,195	6,291	6,549	6,385	6,386
()		Uniform & laundry						
8		Election Costs	-	-	-	-	-	-
4		Telecommunications	-	-	-	-	-	-
		Penalties & Fines	-	-	-	-	-	-
-		Council Tax Payable	-	-	-	-	-	-
13,210	**Supplies & Services Total**		**11,116**	**13,085**	**12,233**	**12,522**	**12,376**	**12,301**
10	**Transport**	Contract Hire & operating leases	19	19	19	19	19	19
17		Mileage Allowance	61	60	61	61	61	61
915		Operating Costs	922	964	964	964	964	964
()		Pool Car	34	31	31	31	31	31
()		Public Transport	25	20	20	20	20	20
193		Vehicle Insurance	204	204	204	204	204	204
6		Other Transport Costs	-	-	-	-	-	-
1,140	**Transport Total**		**1,264**	**1,297**	**1,298**	**1,299**	**1,299**	**1,299**
28,376	**Benefit & Transfer Payments**	Benefits	26,875	15,521	15,521	15,521	15,521	15,521
1,553		Contributions paid	1,061	1,061	1,061	1,061	1,061	1,061
-		Discretionary Relief	-	-	-	-	-	-
45,800		Grants	836	836	836	837	837	837
106		Irrecoverable V A T	106	106	106	106	106	106
445		Levies	408	408	408	408	408	408
-		Parish Precepts	-	-	-	-	-	-
6		Other Misc Payments	7	7	7	7	7	7
76,287	**Benefit & Transfer Payments Total**		**29,292**	**17,937**	**17,938**	**17,938**	**17,938**	**17,939**
-	**Renewals Fund Contribution**	Renewals Fund Contribution	58	58	58	58	58	58
-	**Renewals Fund Contribution Total**		**58**	**58**	**58**	**58**	**58**	**58**
467	**Reserve-Revenue Transfers**	Bad Debts Provision	187	165	155	155	155	155
-		Reserve-Revenue Transfers	34	27	27	27	27	27
467	**Reserve-Revenue Transfers Total**		**221**	**192**	**182**	**182**	**182**	**182**
-	**Liabilities**	Other staff costs	-	-	-	-	-	-
-	**Liabilities Total**		**-**	**-**	**-**	**-**	**-**	**-**
15,170	**Net Expenditure**		**20,686**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**

121,354	Gross Service Expenditure	71,922	64,296	63,936	64,741	65,147	65,714
(106,184)	Gross Service Income	(51,236)	(42,782)	(43,227)	(43,773)	(43,920)	(43,867)
15,170	**Net Service Expenditure**	**20,686**	**21,514**	**20,709**	**20,968**	**21,227**	**21,847**

2.2 Service Budgets by Head of Service

Huntingdonshire District Council								Table 8
Actuals 2020/21	Head of Service	Chief Operating Officer	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(4,113)	Income & Fees	Fees & charges	(3,925)	(3,954)	(4,004)	(4,008)	(4,008)	(4,008)
(38,371)		Government grants	(26,965)	(15,619)	(15,618)	(15,618)	(15,618)	(15,618)
(529)		Other grants and contributions	(3)	(89)	(3)	(3)	(3)	(3)
(122)		Rent	(110)	(110)	(110)	(110)	(110)	(110)
(12)		Sales	(7)	(7)	(7)	(7)	(7)	(7)
-		Interest Income	-	-	-	-	-	-
(43,146)	Income & Fees Total		(31,011)	-19780177	(19,743)	(19,747)	(19,747)	(19,747)
247	Employees	Hired Staff	-	-	-	-	-	-
447		National Insurance	470	543	550	568	585	603
67		Other staff costs	23	23	23	23	23	23
802		Pension	814	872	876	895	914	934
12		Recruitment	-	-	-	-	-	-
4,663		Salary	4,971	5,381	5,396	5,512	5,628	5,747
1		Services	3	3	3	3	3	3
-		Severance payments	10	-	-	-	-	-
5		Training	6	6	6	6	6	6
		Uniform & laundry	(1)	1	1	1	1	1
6,244	Employees Total		6,296	6829626.42	6,855	7,007	7,160	7,316
19	Buildings	Energy Costs	28	28	28	28	28	28
1		Ground Maintenance Costs	-	-	-	-	-	-
-		Premises Cleaning	-	-	-	-	-	-
23		Repairs & Maintenance	18	18	18	18	18	18
82		Water Services	28	28	28	28	28	28
16		Rents Payable	2	2	2	2	2	2
141	Buildings Total		76	75810.84	76	76	76	76
-	Supplies & Services	Catering	1	1	1	1	1	1
214		Communication and computing	114	114	114	114	114	114
143		Equipment, furniture & materials	64	63	63	63	63	63
-		Expenses	-	-	-	-	-	-
		Insurance - service related	-	-	-	-	-	-
65		Office expenses	75	73	75	75	75	75
-		Other staff costs	-	-	-	-	-	-
		Repairs & Maintenance	-	-	-	-	-	-
445		Services	390	560	367	367	367	367
()		Uniform & laundry						
868	Supplies & Services Total		645	811950	621	621	621	621
10	Transport	Contract Hire & operating leases	-	-	-	-	-	-
8		Mileage Allowance	23	22	23	23	23	23
7		Operating Costs	7	7	7	7	7	7
9		Pool Car	23	20	20	20	20	20
1		Public Transport	9	5	5	5	5	5
6		Other Transport Costs	-	-	-	-	-	-
39	Transport Total		62	53734	55	55	55	55
28,376	Benefit & Transfer Payments	Benefits	26,875	15,521	15,521	15,521	15,521	15,521
1,360		Contributions paid	984	984	984	984	984	984
10,041		Grants	253	253	253	253	253	253
6		Irrecoverable V A T	6	6	6	6	6	6
1		Other Misc Payments	-	-	-	-	-	-
39,784	Benefit & Transfer Payments Total		28,117	16762925	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	8232	8	8	8	8
77	Reserve-Revenue Transfers	Bad Debts Provision	157	157	147	147	147	147
-		Reserve-Revenue Transfers	-	-	-	-	-	-
77	Reserve-Revenue Transfers Total		157	157046	147	147	147	147
4,008	**Net Expenditure**		**4,350**	**4,919**	**4,782**	**4,930**	**5,082**	**5,239**

47,153	**Gross Service Expenditure**	35,361	24,699	24,525	24,677	24,830	24,986
(43,146)	**Gross Service Income**	(31,011)	(19,780)	(19,743)	(19,747)	(19,747)	(19,747)
4,008	**Net Service Expenditure**	**4,350**	**4,919**	**4,782**	**4,930**	**5,082**	**5,239**

109	Building Control	153	153	153	153	153	153
227	Business Team	274	279	285	291	297	304
208	Chief Operating Officer	128	108	110	112	115	117
1	Closed Churchyards	(13)	(13)	(13)	(13)	(13)	(13)
49	Community Team	581	585	592	609	617	625
(120)	Council Tax Support	(116)	(115)	(114)	(114)	(114)	(114)
857	Customer Services	900	979	999	1,020	1,040	1,062
(404)	Development Management	(594)	(257)	(429)	(397)	(365)	(332)
259	Document Centre	192	251	249	254	259	265
62	Emergency Planning	12	31	31	32	32	32
113	Environmental Health Admin	132	122	132	136	139	143
343	Environmental Protection Team	384	358	365	372	380	387
-	Head of Community	-	-	-	-	-	-
-	Head of Customer Services	-	-	-	-	-	-
-	Head of Development	-	-	-	-	-	-
1,472	Housing Benefits	1,430	1,554	1,556	1,583	1,624	1,667
90	Housing Miscellaneous	27	29	30	32	34	36
1,017	Housing Needs	1,142	1,142	1,122	1,139	1,156	1,173
(54)	Licencing	(53)	(56)	(55)	(48)	(41)	(35)
(221)	Local Tax Collection	(228)	(231)	(231)	(231)	(231)	(231)
4,008	**Net Service Expenditure**	**4,350**	**4,919**	**4,782**	**4,930**	**5,082**	**5,239**

Actuals 2020/21	Head of Service	AD Transformation	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
-	Income & Fees	Fees & charges	-	-	-	-	-	-
(148)		Government grants	-	-	-	-	-	-
(26)		Other grants and contributions	-	(210)	(210)	(170)	(85)	-
(174)	**Income & Fees Total**		**-**	**(210)**	**(210)**	**(170)**	**(85)**	**-**
-	Employees	Hired Staff	-	-	-	-	-	-
23		National Insurance	39	41	42	43	45	46
1		Other staff costs	-	-	-	-	-	-
38		Pension	61	60	61	62	63	65
-		Recruitment	5	5	5	5	5	5
203		Salary	366	371	381	416	367	374
-		Training	8	8	8	8	8	8
265	**Employees Total**		**479**	**485**	**497**	**534**	**488**	**498**
-	Buildings	Repairs & Maintenance	-	-	-	-	-	-
-		Rents Payable	-	-	-	-	-	-
-	**Buildings Total**		**-**	**-**	**-**	**-**	**-**	**-**
-	Supplies & Services	Catering	-	-	-	-	-	-
-		Communication and computing	-	-	-	-	-	-
4		Equipment, furniture & materials	17	17	11	11	11	11
-		Expenses	-	-	-	-	-	-
		Office expenses	1	1	1	1	1	1
35		Services	(199)	5	5	5	5	5
39	**Supplies & Services Total**		**(182)**	**22**	**16**	**16**	**16**	**16**
-	Transport	Mileage Allowance	-	-	-	-	-	-
-		Pool Car	-	-	-	-	-	-
-		Public Transport	1	1	1	1	1	1
-	**Transport Total**		**1**	**1**	**1**	**1**	**1**	**1**
-	Benefit & Transfer Payments	Grants	-	-	-	-	-	-
-	**Benefit & Transfer Payments Total**		**-**	**-**	**-**	**-**	**-**	**-**
130	**Net Expenditure**		**298**	**298**	**304**	**381**	**420**	**514**

304	Gross Service Expenditure	298	508	514	551	505	514
(174)	Gross Service Income	-	(210)	(210)	(170)	(85)	-
130	**Net Service Expenditure**	**298**	**298**	**304**	**381**	**420**	**514**

Huntingdonshire District Council								Table 10
Actuals 2020/21	Head of Service	AD Corporate Resources	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(559)	**Income & Fees**	Fees & charges	(418)	(432)	(511)	(476)	(477)	(477)
(2,261)		Government grants	(17)	-	-	-	-	-
(32)		Other grants and contributions	(5)	(5)	(5)	(5)	(5)	(5)
(4,933)		Rent	(4,656)	(4,716)	(4,650)	(4,962)	(5,136)	(5,153)
()		Sales	-	-	-	-	-	-
-		NDR	-	(28)	-	-	-	-
(481)		Interest Income	(533)	(533)	(533)	(533)	(533)	(533)
(8,266)	**Income & Fees Total**		**(5,629)**	**(5,714)**	**(5,699)**	**(5,977)**	**(6,150)**	**(6,167)**
281	**Employees**	Employee Insurance	334	334	334	334	334	334
740		Hired Staff	47	22	22	22	22	22
181		National Insurance	174	209	215	221	228	234
91		Other staff costs	1,590	1,590	1,590	1,590	1,590	1,590
1,865		Pension	323	332	339	346	354	361
3		Recruitment	23	21	21	21	21	21
1,766		Salary	1,709	2,048	2,089	2,136	2,181	2,228
35		Services	33	33	33	33	33	33
151		Severance payments	160	152	152	152	152	152
71		Training	62	61	61	61	61	61
59		Uniform & laundry						
5,241	**Employees Total**		**4,457**	**4,804**	**4,857**	**4,918**	**4,977**	**5,038**
190	**Buildings**	Energy Costs	189	194	194	192	192	192
1		Ground Maintenance Costs	-	-	-	-	-	-
192		Premises Cleaning	98	26	13	13	13	13
81		Premises Insurance	122	123	124	124	125	125
7		Rates	7	7	7	7	7	7
211		Repairs & Maintenance	284	317	297	292	292	292
17		Water Services	12	15	15	15	15	15
511		Rents Payable	653	656	737	640	654	661
1,209	**Buildings Total**		**1,364**	**1,338**	**1,386**	**1,283**	**1,297**	**1,305**
	Supplies & Services	Catering	3	3	3	3	3	3
327		Communication and computing	109	162	162	162	162	162
214		Equipment, furniture & materials	105	66	65	65	65	63
-		Expenses	-	-	-	-	-	-
84		Insurance - service related	84	85	87	88	88	88
381		Members Allowances	417	437	432	432	432	432
266		Office expenses	150	176	176	176	176	176
-		Operating Costs	-	-	-	-	-	-
4		Premises Cleaning	-	74	74	74	74	74
4,606		Services	4,994	4,658	4,727	4,905	4,740	4,742
8		Election Costs	-	-	-	-	-	-
		Penalties & Fines	-	-	-	-	-	-
5,891	**Supplies & Services Total**		**5,862**	**5,662**	**5,725**	**5,904**	**5,740**	**5,740**
-	**Transport**	Contract Hire & operating leases	-	-	-	-	-	-
1		Mileage Allowance	12	12	12	12	12	12
52		Operating Costs	-	-	-	-	-	-
15		Pool Car	3	3	3	3	3	3
		Public Transport	3	3	3	3	3	3
187		Vehicle Insurance	202	202	202	202	202	202
256	**Transport Total**		**221**	**220**	**220**	**220**	**220**	**220**
94	**Benefit & Transfer Payments**	Contributions paid	77	77	77	77	77	77
-		Discretionary Relief	-	-	-	-	-	-
37		Grants	40	40	40	40	40	40
26		Irrecoverable V A T	26	26	26	26	26	26
445		Levies	408	408	408	408	408	408
5		Other Misc Payments	6	6	6	6	6	6
608	**Benefit & Transfer Payments Total**		**556**	**556**	**556**	**556**	**556**	**556**
390	**Reserve-Revenue Transfers**	Bad Debts Provision	30	8	8	8	8	8
-		Reserve-Revenue Transfers	34	4	4	4	4	4
390	**Reserve-Revenue Transfers Total**		**64**	**12**	**12**	**12**	**12**	**12**
5,328	**Net Expenditure**		**6,896**	**6,878**	**7,058**	**6,917**	**6,654**	**6,705**

13,594	**Gross Service Expenditure**	12,525	12,592	12,757	12,894	12,803	12,872
(8,266)	**Gross Service Income**	(5,629)	(5,714)	(5,699)	(5,977)	(6,150)	(6,167)
5,328	**Net Service Expenditure**	**6,896**	**6,878**	**7,058**	**6,917**	**6,654**	**6,705**

(3,342)	Commercial Estates	(2,729)	(2,960)	(2,789)	(3,174)	(3,402)	(3,410)
5,590	Corporate Finance	5,333	5,356	5,387	5,549	5,449	5,449
709	Democratic & Elections	866	928	929	941	952	964
843	Facilities Management	862	865	819	857	877	891
855	Finance	751	822	833	851	867	884
(1,015)	Head of Resources	108	105	107	109	111	113
653	Human Resources	507	498	497	504	511	519
194	Legal	224	224	224	224	224	224
25	Public Conveniences	6	-	-	-	-	-
90	Risk Management	140	139	145	147	149	152
70	Energy & Sustainability Mgt	(10)	55	56	57	57	58
657	Risks & Control	836	847	850	854	857	861
5,328	**Net Service Expenditure**	**6,896**	**6,878**	**7,058**	**6,917**	**6,654**	**6,705**

Huntingdonshire District Council								Table 11
Actuals 2020/21	Head of Service	Head of Leisure & Health	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(890)	**Income & Fees**	Fees & charges	(4,474)	(5,385)	(5,577)	(5,778)	(5,791)	(5,795)
(4,344)		Government grants	-	-	-	-	-	-
(14)		Other grants and contributions	(55)	(43)	(41)	(42)	(46)	(47)
1		Rent	(5)	(1)	(1)	(1)	(1)	(1)
(14)		Sales	(533)	(343)	(350)	(380)	(384)	(384)
-		NDR	-	-	-	-	-	-
(5,261)	**Income & Fees Total**		**(5,067)**	**(5,772)**	**(5,968)**	**(6,201)**	**(6,223)**	**(6,228)**
-	**Employees**	Hired Staff	-	-	-	-	-	-
191		National Insurance	212	189	197	208	217	226
9		Other staff costs	(101)	(101)	(101)	(101)	(101)	(101)
413		Pension	473	394	404	416	427	439
3		Recruitment	71	-	-	-	-	-
3,384		Salary	3,458	3,179	3,254	3,346	3,429	3,515
		Services	-	-	-	-	-	-
318		Severance payments	-	-	-	-	-	-
6		Training						
11		Uniform & laundry	7	10	10	10	10	10
4,334	**Employees Total**		**4,120**	**3,671**	**3,764**	**3,879**	**3,982**	**4,089**
270	**Buildings**	Energy Costs	556	517	517	517	517	517
10		Ground Maintenance Costs	14	15	14	14	14	14
11		Premises Cleaning	122	30	30	30	30	30
136		Repairs & Maintenance	149	192	192	192	192	192
29		Water Services	101	83	83	83	83	83
452		Rents Payable	484	496	511	517	528	528
908	**Buildings Total**		**1,426**	**1,333**	**1,347**	**1,353**	**1,364**	**1,364**
-	**Supplies & Services**	Catering	17	-	-	-	-	-
-		Expenses	-	-	-	-	-	-
1		Insurance - service related	-	-	-	-	-	-
44		Office expenses	111	111	111	111	111	111
-		Premises Cleaning	-	-	-	-	-	-
71		Services	231	92	92	92	92	92
-		Uniform & laundry	-	-	-	-	-	-
267	**Supplies & Services Total**		**(94)**	**605**	**615**	**625**	**633**	**633**
-	**Transport**	Contract Hire & operating leases	-	-	-	-	-	-
4		Mileage Allowance	9	9	9	9	9	9
3		Operating Costs	8	9	9	9	9	9
		Public Transport		1		1	1	1
		Vehicle Insurance	-	-	-	-	-	-
8	**Transport Total**		**18**	**18**	**18**	**18**	**18**	**18**
-	**Benefit & Transfer Payments**	Contributions paid	-	-	-	-	-	-
70		Irrecoverable V A T	70	70	70	70	70	70
-		Other Misc Payments	-	-	-	-	-	-
70	**Benefit & Transfer Payments Total**		**70**	**70**	**70**	**70**	**70**	**70**
-	**Renewals Fund Contribution**	Renewals Fund Contribution	50	50	50	50	50	50
-	**Renewals Fund Contribution Total**		**50**	**50**	**50**	**50**	**50**	**50**
326	**Net Expenditure**		**522**	**(25)**	**(104)**	**(206)**	**(105)**	**(4)**

5,587	**Gross Service Expenditure**	5,589	5,747	5,864	5,996	6,117	6,224
(5,261)	**Gross Service Income**	(5,067)	(5,772)	(5,968)	(6,201)	(6,223)	(6,228)
326	**Net Service Expenditure**	**522**	**(25)**	**(104)**	**(206)**	**(105)**	**(4)**

84	Head of Leisure & Health	87	89	91	93	95	97
302	One Leisure Active Lifestyles	187	151	151	148	145	148
(59)	Leisure Centres Corporate	249	(266)	(346)	(446)	(345)	(249)
326	**Grand Total**	**522**	**(25)**	**(104)**	**(206)**	**(105)**	**(4)**

Huntingdonshire District Council								Table 12
Actuals 2020/21	Head of Service	Head of Operations	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
-	⊟Income & Fees	Commuted sums	(151)	(82)	(82)	(82)	(82)	(82)
(3,130)		Fees & charges	(4,282)	(4,914)	(5,597)	(5,657)	(5,682)	(5,682)
(1,501)		Government grants	(16)	(16)	(16)	(16)	(16)	(16)
(119)		Other grants and contributions	(95)	(118)	(119)	(120)	(121)	(121)
(41)		Rent	(32)	(32)	(32)	(32)	(32)	(32)
(119)		Sales	(180)	(200)	(200)	(200)	(200)	(200)
(4,910)	Income & Fees Total		(4,755)	(5,361)	(6,045)	(6,106)	(6,132)	(6,132)
	⊟Employees	Employee Insurance	-	-	-	-	-	-
334		Hired Staff	204	204	204	204	151	151
379		National Insurance	387	446	461	476	495	514
251		Other staff costs	148	163	163	163	163	163
693		Pension	777	820	837	853	875	897
1		Recruitment	-	-	-	-	-	-
4,077		Salary	4,489	4,630	4,725	4,817	4,940	5,068
1		Services						
3		Severance payments	-	-	-	-	-	-
4		Training	1	1	1	1	1	1
26		Uniform & laundry	32	32	32	32	32	32
5,769	Employees Total		6,038	6,296	6,422	6,545	6,656	6,826
94	⊟Buildings	Energy Costs	43	43	43	43	43	43
17		Ground Maintenance Costs	1	1	1	1	1	1
13		Premises Cleaning	11	11	11	11	11	11
-		Premises Insurance						
4		Rates						
7		Rents	13	13	13	13	13	13
175		Repairs & Maintenance	252	253	307	289	294	294
22		Water Services	33	33	33	33	33	33
313		Rents Payable	337	347	357	368	379	379
646	Buildings Total		690	701	765	758	774	774
	⊟Supplies & Services	Catering	-	-	-	-	-	-
33		Communication and computing	32	63	63	63	63	63
488		Equipment, furniture & materials	441	440	440	440	440	440
-		Expenses	-	-	-	-	-	-
8		Insurance - service related	4	4	4	4	4	4
79		Office expenses	66	66	66	66	66	66
-		Other staff costs	-	-	-	-	-	-
1		Premises Cleaning	-	-	-	-	-	-
3		Repairs & Maintenance	-	-	-	-	-	-
853		Services	698	876	888	938	938	938
4		Telecommunications	-	-	-	-	-	-
-		Penalties & Fines	-	-	-	-	-	-
-		Council Tax Payable	-	-	-	-	-	-
1,468	Supplies & Services Total		1,241	1,449	1,461	1,511	1,511	1,511
	⊟Transport	Contract Hire & operating leases	18	18	18	18	18	18
1		Mileage Allowance	4	4	4	4	4	4
852		Operating Costs	906	948	948	948	948	948
(24)		Pool Car	3	3	3	3	3	3
		Public Transport	1	1	1	1	1	1
6		Vehicle Insurance	1	1	1	1	1	1
-		Other Transport Costs	-	-	-	-	-	-
834	Transport Total		932	975	975	975	975	975
	⊟Benefit & Transfer Payments	Contributions paid	-	-	-	-	-	-
309		Grants	471	471	471	471	471	471
4		Irrecoverable V A T	4	4	4	4	4	4
-		Parish Precepts	-	-	-	-	-	-
		Other Misc Payments	-	-	-	-	-	-
313	Benefit & Transfer Payments Total		475	475	475	475	475	475
-	⊟Reserve-Revenue Transfers	Reserve-Revenue Transfers	-	(52)	(52)	(52)	(52)	(52)
-	Reserve-Revenue Transfers Total		-	(52)	(52)	(52)	(52)	(52)
-	⊟Liabilities	Other staff costs	-	-	-	-	-	-
-	Liabilities Total		-	-	-	-	-	-
4,120	Net Expenditure		4,621	4,483	4,002	4,107	4,207	4,376

9,030	Gross Service Expenditure	9,376	9,844	10,047	10,213	10,339	10,508
(4,910)	Gross Service Income	(4,755)	(5,361)	(6,045)	(6,106)	(6,132)	(6,132)
4,120	Net Service Expenditure	4,621	4,483	4,002	4,107	4,207	4,376

1	Car Park - On Street	(132)	(132)	(132)	(132)	(132)	(132)
(1,084)	Car Parks - Off Street	(547)	(1,054)	(1,645)	(1,669)	(1,646)	(1,638)
(70)	CCTV	(91)	(114)	(115)	(116)	(117)	(117)
280	CCTV Shared Service	219	244	253	262	272	282
314	Countryside	317	278	265	240	224	234
289	Fleet Management	311	317	322	327	333	338
623	Green Spaces	479	555	546	568	586	606
212	Head of Operations	302	231	236	241	246	252
107	Markets	(43)	(38)	(36)	(34)	(31)	(30)
328	Parks and Open Spaces	330	457	448	402	408	415
892	Street Cleansing	740	868	888	918	945	973
2,228	Waste Management	2,736	2,871	2,972	3,100	3,119	3,194
4,120	Net Service Expenditure	4,621	4,483	4,002	4,107	4,207	4,376

Huntingdonshire District Council								Table 13
Actuals 2020/21	Head of Service	Head of ICT	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(2,566)	**Income & Fees**	Fees & charges	(1,427)	(1,645)	(1,648)	(1,648)	(1,648)	(1,648)
(6)		Government grants	-	-	-	-	-	-
(2,899)		Other grants and contributions	(3,052)	(3,441)	(3,286)	(3,286)	(3,286)	(3,286)
(553)		Sales	(5)	(5)	(5)	(5)	(5)	(5)
(6,025)	**Income & Fees Total**		**(4,484)**	**(5,091)**	**(4,939)**	**(4,939)**	**(4,939)**	**(4,939)**
	Employees	Employee Insurance						
167		Hired Staff	74	95	74	74	74	74
268		National Insurance	256	341	350	360	369	379
74		Other staff costs	37	37	37	37	37	37
449		Pension	436	524	534	546	557	568
25		Recruitment	10	10	10	10	10	10
2,616		Salary	2,449	2,896	2,953	3,017	3,080	3,141
		Services	-	-	-	-	-	-
-		Severance payments	-	-	-	-	-	-
55		Training	44	44	44	44	44	44
-		Uniform & laundry	1	1	1	1	1	1
3,654	**Employees Total**		**3,307**	**3,948**	**4,004**	**4,089**	**4,172**	**4,254**
3	**Buildings**	Repairs & Maintenance	6	6	6	6	6	6
-		Rents Payable						
3	**Buildings Total**		**7**	**7**	**7**	**7**	**7**	**7**
-	**Supplies & Services**	Catering	1	1	1	1	1	1
722		Communication and computing	782	708	782	782	782	782
3,317		Equipment, furniture & materials	2,625	2,755	2,734	2,752	2,762	2,688
		Expenses	-	-	-	-	-	-
3		Office expenses	12	12	12	12	12	12
-		Repairs & Maintenance	-	-	-	-	-	-
330		Services	65	242	109	109	109	109
-		Telecommunications	-	-	-	-	-	-
4,372	**Supplies & Services Total**		**3,485**	**3,717**	**3,637**	**3,655**	**3,665**	**3,591**
-	**Transport**	Contract Hire & operating leases	1	1	1	1	1	1
3		Mileage Allowance	10	10	10	10	10	10
		Operating Costs						
		Pool Car	4	4	4	4	4	4
(1)		Public Transport	8	8	8	8	8	8
-		Vehicle Insurance	-	-	-	-	-	-
2	**Transport Total**		**23**	**23**	**23**	**23**	**23**	**23**
2,007	**Net Expenditure**		**2,338**	**2,604**	**2,732**	**2,835**	**2,928**	**2,936**

8,031	**Gross Service Expenditure**	6,822	7,695	7,671	7,774	7,867	7,875
(6,025)	**Gross Service Income**	(4,484)	(5,091)	(4,939)	(4,939)	(4,939)	(4,939)
2,007	**Net Service Expenditure**	**2,338**	**2,604**	**2,732**	**2,835**	**2,928**	**2,936**

Huntingdonshire District Council								Table 14
Actuals 2020/21	Head of Service	**Corporate Leadership**	**2021/22 Budget**	**2022/23 Budget**	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**
£ 000			**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
()	**Income & Fees**	Fees & charges	-	-	-	-	-	-
(25)		Other grants and contributions	-	-	-	-	-	-
(25)	**Income & Fees Total**		**-**	**-**	**-**	**-**	**-**	**-**
-	**Employees**	Hired Staff	-	-	-	-	-	-
63		National Insurance	53	65	67	68	70	71
		Other staff costs						
77		Pension	78	89	90	92	94	96
-		Recruitment	-	-	-	-	-	-
534		Salary	451	514	522	532	543	554
		Services	-	-	-	-	-	-
-		Severance payments	-	-	-	-	-	-
		Training	9	5	5	5	5	5
674	**Employees Total**		**591**	**674**	**684**	**698**	**712**	**726**
-	**Buildings**	Rents Payable						
-	**Buildings Total**							
-	**Supplies & Services**	Catering	1	1	1	1	1	1
2		Communication and computing	1	2	2	2	2	2
2		Equipment, furniture & materials		-	-	-	-	-
13		Office expenses	18	15	15	15	15	15
-		Other staff costs	-	-	-	-	-	-
32		Services	5	505	5	5	5	5
-		Election Costs	-	-	-	-	-	-
49	**Supplies & Services Total**		**24**	**522**	**22**	**22**	**22**	**22**
-	**Transport**	Contract Hire & operating leases	-	-	-	-	-	-
		Mileage Allowance	2	2	2	2	2	2
-		Operating Costs	-	-	-	-	-	-
-		Pool Car						
		Public Transport	1	1	1	1	1	1
	Transport Total		**4**	**4**	**4**	**4**	**4**	**4**
	Benefit & Transfer Payments	Other Misc Payments	1	1	1	1	1	1
	Benefit & Transfer Payments Total		**1**	**1**	**1**	**1**	**1**	**1**
699	**Net Expenditure**		**619**	**1,201**	**710**	**725**	**739**	**753**

724	**Gross Service Expenditure**	619	1,201	710	725	739	753
(25)	**Gross Service Income**	-	-	-	-	-	-
699	**Net Service Expenditure**	**619**	**1,201**	**710**	**725**	**739**	**753**

Huntingdonshire District Council								Table 15
Actuals 2020/21	Head of Service	**Programme Delivery Manager**	**2021/22 Budget**	**2022/23 Budget**	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**
£ 000			**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
4	**Employees**	National Insurance	6	7	7	7	8	8
6		Pension	9	10	10	10	10	10
1		Recruitment	-	-	-	-	-	-
35		Salary	55	56	57	58	59	60
47	**Employees Total**		**70**	**72**	**74**	**75**	**77**	**78**
	Supplies & Services	Communication and computing	-	-	-	-	-	-
1		Equipment, furniture & materials	-					
		Office expenses		-	-	-	-	-
9		Services	-	-	-	-	-	-
11	**Supplies & Services Total**							
-	**Transport**	Mileage Allowance						
-		Pool Car		-	-	-	-	-
-		Public Transport						
-	**Transport Total**		**1**					
58	**Net Expenditure**		**71**	**73**	**74**	**76**	**77**	**79**

58	**Gross Service Expenditure**	71	73	74	76	77	79
-	**Gross Service Income**	-	-	-	-	-	-
58	**Net Service Expenditure**	**71**	**73**	**74**	**76**	**77**	**79**

Huntingdonshire District Council								Table 16
Actuals 2020/21	Head of Service	Housing Manager	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
-	Income & Fees	Fees & charges	-	-	-	-	-	-
-	**Income & Fees Total**		-	-	-	-	-	-
1	Employees	Hired Staff	-	-	-	-	-	-
7		National Insurance	13	15	15	15	16	16
11		Pension	20	21	22	22	23	23
5		Recruitment	-	-	-	-	-	-
65		Salary	117	123	125	128	130	133
-		Services						
89	**Employees Total**		**150**	**159**	**162**	**165**	**169**	**172**
-	Supplies & Services	Catering						
		Communication and computing	1	1	1	1	1	1
		Equipment, furniture & materials	-	-	-	-	-	-
		Office expenses	1	1	1	1	1	1
90		Services	-	-	-	-	-	-
91	**Supplies & Services Total**		**1**	**1**	**1**	**1**	**1**	**1**
-	Transport	Mileage Allowance						
-		Pool Car						
-		Public Transport	-	-	-	-	-	-
-	**Transport Total**							
34	Benefit & Transfer Payments	Grants	28	27	27	27	27	28
34	**Benefit & Transfer Payments Total**		**28**	**27**	**27**	**27**	**27**	**28**
214	**Net Expenditure**		**180**	**187**	**191**	**194**	**198**	**202**

Huntingdonshire District Council								Table 17
Actuals 2020/21	Head of Service	Planning Policy Manager	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
£ 000			£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
(329)	Income & Fees	Fees & charges	(270)	(427)	(187)	(189)	(192)	(194)
(37,997)		Government grants	(20)	(20)	(20)	(20)	(20)	(20)
-		Other grants and contributions	-	(361)	(368)	(375)	(383)	(391)
()		Sales	()	()	()	()	()	()
(51)		Developer Contributions	-	(46)	(47)	(48)	(49)	(49)
(38,377)	**Income & Fees Total**		**(291)**	**(855)**	**(622)**	**(633)**	**(644)**	**(654)**
138	Employees	Hired Staff	-	-	-	-	-	-
70		National Insurance	72	83	83	85	88	90
6		Other staff costs	1	1	1	1	1	1
120		Pension	122	131	129	131	134	137
-		Recruitment	-	-	-	-	-	-
693		Salary	704	1,117	1,111	1,134	1,158	1,181
-		Services						
-		Training	-	-	-	-	-	-
-		Uniform & laundry	-	-	-	-	-	-
1,027	**Employees Total**		**899**	**1,332**	**1,324**	**1,352**	**1,380**	**1,409**
-	Buildings	Repairs & Maintenance	-	-	-	-	-	-
		Rents Payable	2	2	2	2	2	2
	Buildings Total		**2**	**2**	**2**	**2**	**2**	**2**
-	Supplies & Services	Catering						
4		Communication and computing	14	15	15	16	16	17
14		Equipment, furniture & materials	5	5	5	5	5	5
11		Office expenses	15	17	16	16	16	16
124		Services	99	257	97	128	128	127
-		Election Costs	-	-	-	-	-	-
153	**Supplies & Services Total**		**133**	**293**	**133**	**165**	**165**	**165**
	Transport	Mileage Allowance	1	1	1	1	1	1
		Pool Car	1					
-		Public Transport	2	1	1	1	1	1
	Transport Total		**4**	**3**	**3**	**3**	**3**	**3**
99	Benefit & Transfer Payments	Contributions paid	-	-	-	-	-	-
35,379		Grants	45	46	46	46	46	46
35,478	**Benefit & Transfer Payments Total**		**45**	**46**	**46**	**46**	**46**	**46**
-	Reserve-Revenue Transfers	Reserve-Revenue Transfers	-	75	75	75	75	75
-	**Reserve-Revenue Transfers Total**		**-**	**75**	**75**	**75**	**75**	**75**
(1,719)	**Net Expenditure**		**791**	**896**	**961**	**1,010**	**1,028**	**1,047**

36,659	**Gross Service Expenditure**	1,082	1,751	1,583	1,643	1,671	1,700
(38,377)	**Gross Service Income**	(291)	(855)	(622)	(633)	(644)	(654)
(1,719)	**Net Service Expenditure**	**791**	**896**	**961**	**1,010**	**1,028**	**1,047**

3.0 CAPITAL

3.1 The detailed Draft Capital Programme for the period 2022/23 to 2026/27 is shown in **Tables 18a and 18b** 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 2022/23 Minimum Revenue Position (MRP) is £2.8m.

Huntingdonshire District Council						Table 18a
Capital Programme	Budget	Medium Term Financial Strategy				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s	£000s
Gross Expenditure						
Chief Operating Officer						
Disabled Facilities Grants	1,850	1,800	1,650	1,600	1,600	1,600
Disabled Facilities Grants - Rephase		400				
Conservation Area Appraisal Programme	47	47				
Transfer of Documents from Information@Work to Tascomi		20				
Printing Equipment - Rephase		2				
Replacement Corporate Scanners	110					
Scanners - Rephase		4				
Housing Company - Rephase		206				
Lone Worker Software - Rephase		3				
Corporate Resources						
Salix Equipment						
A14 Upgrade	200	200	200	200	200	200
A14 Upgrade - Rephase		200				
Huntingdon Redevelopment		7,595				
St Ives Redevelopment			6,800	8,500	1,700	
Leisure and Health						
One Leisure Improvements	296	285	300	300	300	300
One Leisure Ramsey 3G - Rephase		17				
OL St Ives Changing Rooms - Rephase		12				
Assistance Director of Resources						
Oak Tree Remedial Works - Rephase		912				
Health and Safety Works at Commercial Properties						
Energy Efficiency Works at Commercial Properties	10	10				
Energy Efficiency Works at Commercial Properties - Rephase		6				
VAT Partial Exemption	24	21	21	50	50	50
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				
Lighting Loves Farm - Rephase		8				
3C ICT						
Hardware Replacement		130	130			
Generator - 3ICT Backup						
Data Centre Storage						
Wi-Fi access points						
Mobile Phones Replacement	65					
Telephony Replacement	200	8	8	8	8	8
Extend compute capacity in shared data centre	39					
Information@Work Consolidation	20					
GIS Test Environment	16					
Data Centre Server Room (No.1)		244				
No2 Server & SQL Server 2012 Migration		20				
Operations						
Civil Parking Enforcement - Rephase		31				
Fencing	13	13	13	13	13	13
Fencing - Rephase		6				
Lighting - Loves Farm Footpath						
Wheeled Bins	254	254	254	254	254	254
Wheeled Bins - Rephase		6				
Vehicle Fleet Replacement	1,396	1,085	1,457	741		
Vehicle Fleet Replacement		54	(100)	11	1,494	800
Play Equipment	30	30	30	30	30	30
Play Equipment - Rephase		1				
Secure cycle storage	88					
Secure Cycle Storage - Rephase		39				
Parking Strategy	80					
Parking Strategy - Rephase		93				
District wide signage						
District Wide Signage - Rephase		10				
Replacement Corporate Scanners	25					
Additional EV Charging Points	30					
Play Area Fencing						
Hinchingbrooke Country Park						
Hinchingbrooke Country Park - Rephase		1,346				
Moores Walk Revamp		20				
St Neots Riverside Park Path/Cycle Imps - Rephase		443				
Transformation						
AV Equipment	15	15				
AV Equipment - Rephase		45				
Voice Bots - Rephase		30				
Customer Relationship Management (Data Warehouse)	16					
Customer Relationship Management (Data Warehouse) - Rephase		7				
Economic Development						
Future High Streets - St Neots	12,300					
Future High Streets - St Neots - Rephase		6,811				
Market Towns Programme	350	675	550	150	50	
Market Towns Programme - Rephase		50				
Total Gross Expenditure	**18,169**	**23,464**	**11,313**	**11,857**	**5,699**	**3,255**

Huntingdonshire District Council						Table 18b
Capital Programme	**Budget**	**Medium Term Financial Strategy**				
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Financing						
Grants and Contributions						
DFGs	(1,350)	(1,350)	(1,300)	(1,300)	(1,300)	(1,300)
Wheeled bins	(101)	(101)	(101)	(101)	(101)	(101)
Combined Authority/MHCLG/CIL Grant Funding	(12,650)	(675)	(550)	(150)	(50)	
Huntingdon Development		(7,595)				
Future High Streets - Rephase		(6,811)				
One Leisure Ramsey 3G - Rephase		(17)				
St Neots Riverside Park Path/Cycle Imps - Rephase		(443)				
Combined Authority/MHCLG/CIL Grant Funding		(50)				
Total Grants and Contributions	**(14,101)**	**(17,042)**	**(1,951)**	**(1,551)**	**(1,451)**	**(1,401)**
Capital Receipts						
St Ives Redevelopment			(6,800)	(8,500)	(1,700)	
Loan Repayments		(284)	(203)	(117)	(122)	(128)
Housing Clawback Receipts	(500)	(450)	(350)	(300)	(300)	(299)
Commercial Investment Strategy	(565)	(250)				
Total Capital Receipts	**(1,065)**	**(984)**	**(7,353)**	**(8,917)**	**(2,122)**	**(427)**
Net to be funded by borrowing	**3,003**	**5,438**	**2,009**	**1,389**	**2,126**	**1,427**

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 2022/23.

- **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 2022/23, it is estimated that the cost of short-term borrowing will be £5,000; this is based on an estimated average investment portfolio of £25m and the borrowing that will be required as a result of short-term cash outflows within that average, and a cost based on an estimated interest rate of 0.90% for short-term borrowing.

- **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 2022/23, it is forecast that the total balances in respect of long-term borrowing will be £39.2m. The estimated cost of long-term borrowing in 2022/23 is £1.23m.

4.2 During 2022/23 no long-term borrowing has been anticipated for any Commercial Investment/Development Strategy, due to the Government prohibiting any borrowing from PWLB for commercial gain. For any redevelopment schemes e.g. Huntingdon/St Ives within the capital programme it has been assumed that alternative sources of funding will be explored to enable delivery of these schemes and the wider future capital programme in a sustainable way.

5.0 Capital Financing Requirement (CFR)

5.1 **Table 19** 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.

Huntingdonshire District Council							Table 19
Capital Financing Requirement	**Actual**	**Forecast**	**Medium Term Financial Strategy**				
	2020/21 £000s	**2021/22 £000s**	**2022/23 £000s**	**2023/24 £000s**	**2024/25 £000s**	**2025/26 £000s**	**2026/27 £000s**
Opening Capital Financing Requirement	**71,824**	**71,431**	**73,963**	**76,601**	**75,579**	**73,814**	**72,860**
Capital Investment							
Property, Plant and Equipment	2,432	17,944	11,406	8,913	9,907	3,849	1,455
Investment Properties	2	1,605	1,162	0	0	0	0
Intangible Assets	141	446	91	0	0	0	0
Revenue Expenditure Funded From Capital Under Statute	3,110	13,358	10,136	2,400	1,950	1,850	1,800
Infrastructure Assets	44	816	20	0	0	0	0
Community Assets	0	271	443	0	0	0	0
Loans	0	100	206	0	0	0	0
Assets Under Construction	1,331	0	0	0	0	0	0
Additional Requirement	**7,060**	**34,540**	**23,464**	**11,313**	**11,857**	**5,699**	**3,255**
Sources of Finance							
Capital Receipts	(966)	(1,020)	(984)	(7,353)	(8,917)	(2,122)	(427)
Capital Grants and Contributions	(1,583)	(21,344)	(17,042)	(1,951)	(1,551)	(1,451)	(1,401)
Use of Capital Grants Unapplied	(2,302)	(6,886)					
Direct Revenue Financing	0	0	0	0	0	0	0
Minimum Revenue Provision	(2,602)	(2,758)	(2,800)	(3,031)	(3,154)	(3,080)	(3,276)
	(7,453)	(32,008)	(20,826)	(12,335)	(13,622)	(6,653)	(5,104)
Closing Capital Financing Requirement	**71,431**	**73,963**	**76,601**	**75,579**	**73,814**	**72,860**	**71,011**
Increase/(Decrease) in Underlying Need to Borrow	**(393)**	**2,532**	**2,638**	**(1,022)**	**(1,765)**	**(954)**	**(1,849)**

6.0 Formal 2022/23 Council Tax Resolutions

6.1 The formal 2022/23 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 Chairman of Corporate Governance Committee and Section 151 Officer on the 7 December 2021 (and subsequent publication as a key decision).

The tax base (T) which is the amount anticipated from a District Council Tax of £1 is	**£64,501**

b) That the following amounts calculated by the Council for 2022/23 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 ***Gross revenue expenditure including benefits, Town/Parish Precepts***	**£71,838,629**
(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 ***Revenue income including reimbursement of benefits, specific and general grants, use of reserves and any transfers from the collection fund.***	**£54,564,732**
(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 ***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.***	**£ 17,273,897**
(iv)	the Council Tax requirement for 2021/22 divided by the tax base (T) in accordance with Section 31B (1) of the Act ***District plus average Town/Parish Council Tax (item iii divided by District taxbase)***	**£267.81**
(v)	the aggregate of all "Special Items" referred to in Section 34(1) of the Act. ***The total value of Parish/Town precepts included in i and iii above.***	**£7,542,822**
(vi)	the Basic Amount of Council Tax for 2022/23 being item iv less item v divided by the tax base (T) in accordance with Section 34 (2) of the Act.	**£150.86**

The District Council's Band D Tax for 2022/23

(vii) the basic amounts of Council Tax for 2022/23 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 2022/23 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 2022/23 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 2022/23 is not excessive.
The basic amount at b(vi) above is not excessive as defined by the Government.

6.2 Tax Base 2022/23

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 2022/23 be 64,501 and shall be as listed below for each Town or Parish of the District:

Abbotsley	262
Abbots Ripton	141
Alconbury	561
Alconbury Weston	297
Alwalton	123
Barham & Woolley	30
Bluntisham	771
Brampton	2477
Brington & Molesworth	188
Broughton	99
Buckden (incorporating Diddington)	1277
Buckworth	53
Bury	715
Bythorn & Keyston	157
Catworth	163
Chesterton	65
Colne	379
Conington	78
Covington	47
Denton & Caldecote	30
Earith	607
Easton	82
Ellington	237
Elton	295
Farcet	540
Fenstanton	1331
Folksworth & Washingley	354
Glatton	136
Godmanchester	2951
Grafham	235
Great & Little Gidding	125
Great Gransden	494
Great Paxton	373
Great Staughton	333
Haddon	23
Hail Weston	245
Hamerton & Steeple Gidding	54
Hemingford Abbots	334
Hemingford Grey	1298
Hilton	455
Holme	250
Holywell-cum-Needingworth	1024

Houghton & Wyton	799
Huntingdon	7653
Kimbolton & Stonely	601
Kings Ripton	84
Leighton Bromswold	78
Little Paxton	1562
Morborne	12
Offord Cluny & Offord D'Arcy	542
Old Hurst	98
Old Weston	104
Perry	264
Pidley-cum-Fenton	191
Ramsey	3095
St Ives	6034
St Neots	11208
Sawtry	1966
Sibson-cum-Stibbington	234
Somersham	1402
Southoe & Midloe	156
Spaldwick	255
Stilton	772
Stow Longa	73
The Stukeleys	1069
Tilbrook	128
Toseland	38
Upton & Coppingford	91
Upwood & The Raveleys	445
Warboys	1596
Waresley-cum-Tetworth	146
Water Newton	40
Winwick	53
Wistow	230
Woodhurst	155
Woodwalton	83
Wyton-on-the-Hill	441
Yaxley	2961
Yelling	153
	64501

6.3 2022/23 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 23 February 2022 when the Council receives the precepts from Cambridgeshire County Council, Fire and Police Authorities.

6.4 Total 2022/23 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 23 February 2022 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 2022 to March 2023 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 2022/23 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 2022/23 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 2021/22 Quarter 3 Finance Performance Report is reporting a forecast favourable variance of £1.607m compared to budget in respect of service expenditure. This is due to a variety of factors including the strong performance of the Commercial Investment Strategy (CIS), the higher-than-expected levels of income from off street parking and the overall lower net cost of waste collection during the Covid 19 pandemic following the changes in customer behaviour and the changes in values of recyclable materials.

8.2.2 The Council has reviewed its service expenditure in consultation with the Executive Councillors. In collaboration with the Senior Management Team, proposals for savings and growth, as summarised in Table 2, were developed by officers and Executive Councillors using a rigorous process that challenged and validated each proposal. The Finance Team provided the central support and advice to services and the whole process has been and 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 develop 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 increase Council Tax for 2022/23 to protect frontline services.

8.3 Challenges Facing the Council

8.3.1 The challenges that the Council faces are like 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 The public sector continues to endure uncertainty around the Fair Funding and Business Rates Review. During the Covid 19 Pandemic whilst the public sector diverted resources to support its community in its time of need, short-term, one-off funding from Government has provided a much-needed financial stop gap. For 2022/23 the expectation is that the normality in the economy will return but exactly how and when continues to cause uncertainly. The Council must take proactive action to effectively manage the financial consequences following 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 leaves them financial vulnerable.

8.3.3 Following the 2022/23 provisional settlement announced in December 2021, **Table 21** clearly shows that the grant funding streams for the Councils MTFS for 2022/23 and for the period up to 2025/27 has moved when compared to the preceding year. For:

- 2022/23 — the total grant included in last year's MTFS was £9.1m; following the provisional settlement this has now increased to £11.1m; an increase of £2.0m (22.0%). This is mainly due to a one-off increase in New Home Bonus (NHB) of £1.69m.
- 2024/25 onwards — the Councils net grants position is assumed to reset at a lower level due to the uncertainties regarding future grant funding and the cessation of NHB.

Table 21		Comparison of Grant Assumptions: 2020/21 Budget & 2021/22 Budget and MTFS (2022/23 to 2024/25)					
		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
2021/22 Budget & MTFS							
	NDR	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**	
2022/23 Budget & MTFS							
	NDR+S31		6,485	5,595	5,725	5,855	5,900
	S31		2,472	1,624	1,628	1,633	1,633
	RSG		0	235	109	115	115
	FFR Adjust		0	0	0	0	0
	NHB		2,116	0	0	0	0
	Total		**11,073**	**7,454**	**7,462**	**7,603**	**7,648**
Variance between Grant Assumptions							
	NDR	(0)	(159)	(1,234)	(1,371)	(1,515)	
	S31	0	259	(626)	(659)	(654)	
	RSG	0	0	235	109	115	
	FFR Adjust	(82)	163	245	326	408	
	NHB	0	1,689	0	0	0	
	Total	**(82)**	**1,952**	**(1,381)**	**(1,595)**	**(1,646)**	
		%	%	%	%	%	
	NDR	0.0	-2.4	-18.1	-19.3	-20.6	
	S31	0.0	11.7	-27.8	-28.8	-28.6	
	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	395.6	#DIV/0!	0.0	0.0	
	Total	**-0.8**	**21.4**	**-15.6**	**-17.6**	**-17.8**	

Programme of Service Review

8.3.4 The Executive have reviewed and scrutinised their budgets, considering the impacts of external demand and cost pressures, whilst looking for opportunities to mitigate pressures with cost savings and income generation.

8.4 Governance

8.4.1 Noted within the 2020/21 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	Environmental pressures	*Challenges to the long-term sustainability and attraction to our area.*

8.4.2 On 22 July 2021, the Council's Internal Audit Manager reported to the Corporate Governance Committee that the assurance given for the year to 31 March 2021 was:

"…..the Council's governance, internal control environment and systems of internal control as at 31 March 2021 provide adequate assurance over key business processes and financial systems."

8.5 Risks

8.5.1 Because of the nature of the macro and microenvironment 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 overachieving or an unexpected event occurring.

Mitigation of Unforeseen Events

8.5.2 During the budget setting for 21/22, a fixed General Fund Reserve of £2.175m was agreed based on the likely financial risks facing the council. The General Fund Reserve will be maintained at this level for 22/23.

In order to mitigate the impacts of any event that could have a potentially negative impact on the council's finances the council has clear processes 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 first and second calls, but there is likely to be earlier consideration 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.

Risk Modelling

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 and increased income budgets included within the budget total £1.76m and cover a broad range of services. Achieving them is 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.

- **Inflation**

  With regard to:

  - Pay
    The budget for 2022/23 includes a pay increase of 2% from 1 April 2022. The pay budget also includes increases for the additional 1.25% employers National Insurance increase and for the increase to National Living Wage.

  - General Inflation
    No general inflation has been included in the 2022/23 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 2022/23 assumes minimal borrowing cost for temporary borrowing (for non-CIS borrowing)

- **Reduced income: Fees and Charges**

  Total fees and charges are £17.5m, therefore, for sensitivity analysis a 2% loss of income from fees and charges would amount to £350k. The largest income streams that are susceptible to variation include Car Parks (Off-Street) Leisure Centres, Commercial Estate, and Planning Fees.

- **Reduced income: New Homes Bonus**

  For 2022/23 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 2023/24 the Council will no longer received such funding.

- **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 2022/23 the Council has taken a more prudent line by formulating its own assessment for NDR receipts. 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 2022/2 are £2.5m.

- **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). The Council maintains 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 'ageing' 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.

- **Council Tax**
  The Council has chosen to increase Council Tax by £5 this year resulting in an increase of £320k.

Sensitivity for 2022/23 Budget

8.5.7 Considering the risks, budget assumptions, and the likelihood of all these risks occurring at the same time, the council will have sufficient resources to meet the costs of the risks.

8.6 Revenue Reserves

Reserves for 2022/23 and the MTFS Period (2023/24 to 2026/27)

8.6.1 There is no statutory minimum level of reserves, however, as noted at 8.5.2 the minimum threshold for the General Fund (Unallocated) Reserves of £2.175m that Cabinet approved during 2021/22 budget setting will be maintained. 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 several 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, known risks, future or political commitments and costs associated with transformation and commercialisation.

8.7 Conclusion

- **2022/23 Budget**

Considering all the factors noted within the "Robustness" statement in respect of 2022/23, I consider that the combination of the council's:

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

The budget proposed for 2022/23 should not give Members any significant concerns over the Council's financial position.

- **Medium Term Financial Strategy (2023/24 to 2026/27)**

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.

Eric Symons FCCA
Responsible Financial Officer (Section 151)

Plan on a Page

Appendix 2

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 | INCOME GENERATION | EFFICIENCIES & GROWTH | AFTER

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

BEFORE	Council Tax	Commercialisation	Funding Changes	Budget Review	Service Growth	Transformation Savings	AFTER
2021/22 Budget & MTFS							2022/23 Budget & MTFS
Savings required 2025/26 £0.2m	(£0.2m)	£Nil*	£0.2m	£0.7m	£0.9m	0	Savings required 2026/27 £1.8m

Financial Strategy

	2022/23	2023/24	2024/25	2025/26	2026/27
Net Expenditure	£21.5m	£20.7m	£21.0m	£21.2m	£21.8m
Budget surplus / (deficit)	£0.2m	(£2.5m)	(£2.2m)	(£1.8m)	(£1.8m)
Earmarked Reserves Adjustment	0	0	0	0	0
Budget requirement	£21.7m	£18.2m	£18.8m	£19.4m	£20.0m

* 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:	2022/23 Treasury Management, Capital and Investment Strategies
Meeting/Date:	Overview and Scrutiny Panel (Performance and Growth) – 2nd February 2022
Executive Portfolio:	Executive Councillor for Strategic Finance: 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
- Flexible Use of Capital Receipts Strategy

Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	2022/23 Treasury Management, Capital and Investment Strategies
Meeting/Date:	Cabinet – Date 10th February 2022
Executive Portfolio:	Executive Councillor for Strategic Finance: 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
- Flexible Use of Capital Receipts

This requirement is within CIPFA's Treasury Management in the Public Services: Code of Practice (2018), CIPFA's Prudential Code (2018), and DLUHC Guidance on Local Government Investments 3rd Edition 2018.

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 2022/23 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 growth rates remain influenced by the covid pandemic. Interest rates 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, money market funds, and short-term deposits (including the use of the HM Treasury deposit facility).

The Capital Strategy includes;

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

The Investment Strategy includes;

- The performance of property assets
- The management of service loans
- Investment indicators

The Minimum Revenue Provision Statement;

- The policy to deal with the financing of capital projects and service loans

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.
5. The Flexible Use of Capital Receipts Strategy Appendix 5.

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 and limits
- Capital expenditure and the capital financing requirement
- Revenue implications

1.4 The Investment Strategy, which includes;

- Service loans
- Property investments
- Property performance indicators

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

1.6 In addition to complying with CIPFA's Treasury Management in the Public Services: Code of Practice 2018 Edition, the Council must also comply with the DLUHC's Guidance on Local Authority Investments (2018), 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 DLUHC 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:

   - investing 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 and service-based loans. **Appendix 3**

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

v. The Flexible Use of Capital Receipts Strategy **Appendix 5**

2.2 For 2022/23, the Council is anticipating having a total capital financing requirement (which is both past and new capital expenditure) of £76.6m (reducing to £73.8m by 2024/25). The Council has an authorised limit for 2022/23 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 DLUHC guidance, the Council will be asked to approve a revised Treasury Management, Capital and 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 straight jacket; 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 activities), 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.
- Flexible Use of Capital Receipts. To demonstrate whether the Council will make use of these regulations.

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
Appendix 5: The Flexible Use of Capital Receipts Strategy

BACKGROUND PAPERS

Working papers held in Finance

CONTACT OFFICERS

Eric Symons, Chief Finance Officer

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Appendix 1

Treasury Management Strategy 2022/23

Contents

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 ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously, but notes that Omicron could weaken the demand for labour.

UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% y/y from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% y/y in November, the fourth month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

2.2 Credit outlook

Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

2.3 Interest rate forecast

The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.

Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever 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 treasury investments will be made at an average rate of 0.02%, and that new long-term loans will be borrowed at an average rate of 3.0%.

3.0 Local Context

On the 31st December 2021, the Council held £39.1m of borrowing and £61.2m of investments (banks, MMFs, DMO, local authorities and property fund). 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

	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	44.3	47.1	49.8	49.0	47.4
CIS CFR	27.1	26.9	26.8	26.6	26.4
CFR	**71.4**	**74.0**	**76.6**	**75.6**	**73.8**
Less: Other debt liabilities *	0.5	0.5	0.5	0.5	0.5
Less: External borrowing **	39.1	38.8	38.7	38.6	38.4
Internal borrowing	**31.8**	**34.7**	**37.4**	**36.5**	**34.9**
Less: Balance Sheet Resources	97.5	90.0	85.0	80.0	75.0
(Investments) or New borrowing	**(65.7)**	**(55.3)**	**(47.6)**	**(43.5)**	**(40.1)**

* 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 2022/23.

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 £10.0m at each year-end to maintain enough liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
CFR	71.4	74.0	76.6	75.6	73.8
Less: Balance Sheet Resources	97.5	90.0	80.0	70.0	60.0
Plus: Liquidity Allowance	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	**(16.1)**	**(6.0)**	**6.6**	**15.6**	**23.8**

5.0 Borrowing Strategy

The Council currently holds £39.1m 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 2022/23 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 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans during 2022/23, 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 Treasury'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 issues bonds on the capital markets and lends the proceeds to local authorities at a rate below PWLB. This is 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 2021/22 to December, the Council's investment balance has ranged between £28m in April and £71m in December, these levels are expected to reduce in the forthcoming year.

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 2021/22. The majority of the Council's surplus cash will be 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
Transactional Bank (Natwest)	Overnight	£22m	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 (not available on a daily basis) 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 (including general fund and earmarked) available to cover investment losses are forecast to be £60.0m on 31st March 2022. 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. Overnight deposits with the transactional bank (Natwest) are limited to £22m, but kept as low as possible to meet operational purposes.

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 Prudential 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	£10m

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	£600,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£600,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. £600,000 is a 1% impact on forecast reserves of £60m.

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 Long Term Treasury Management Investment

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	**2022/23**	**2023/24**	**2024/25**
Limit on principal invested beyond year end	£12m	£10m	£8m

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.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

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 2022/23 is £0.05m, based on an average investment portfolio of £25.0m at an interest rate of 0.02%. The budget for debt interest paid in 2022/23 is £1.23m, based on an average debt portfolio of £44.0m at an average interest rate of 2.83%. 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 2021

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside, but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
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.

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 increase in the Bank of England rate has had a small positive impact on all market rates e.g. Money Market Funds and deposit accounts rates. It is still difficult to place surplus cash balances for a reasonable yield, therefore any money held in any investment vehicle is mainly for diversification purposes in the short-term.

It now seems likely due to increasing inflationary pressures that the BOE rate will increase back up to 0.5% in the short-term and possibly in the range 0.75% - 1% by March 2023.

Existing Investment & Debt Portfolio Position

	31/12/21 Actual Portfolio £m	31/12/21 Average Rate %
External borrowing:		
Public Works Loan Board	39.1	**2.8**
Local authorities	0	
Other loans	0	
Total external borrowing	**39.1**	
Other long-term liabilities:		
Finance Leases	0.5	n/a
Total other long-term liabilities	**0.5**	
Total gross external debt	**39.6**	
Treasury investments:		
Banks & building societies (unsecured)	13.2	0.01
Government (incl. local authorities)	14.0	0.02
Money Market Funds	30.0	0.02
Pooled property fund	4.0	3.60
Total treasury investments	**61.2**	
Net investments	**21.6**	

Appendix 2

Capital Strategy 2022/23

Contents

8.0 Knowledge and Skills

8.1 Qualifications

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

1.0 Introduction

1.1 Introduction

The capital strategy gives 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.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

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 2021/22, the Council is planning capital expenditure of £34.5m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
General Fund services	7.1	34.4	23.5	11.3	11.9
Capital investments	0.0	0.1	0	0	0
TOTAL	**7.1**	**34.5**	**23.5**	**11.3**	**11.9**

The main capital projects in 2021/22 include Future High Street Development (£6.0m) Disabled Facilities Grants (£1.4m), Decarbonisation Projects (£3.8m) 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

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
External sources	3.9	28.2	17.0	2.0	1.6
Own resources	1.0	1.0	1.0	7.4	8.9
Internal Borrowing/Debt	2.2	5.3	5.5	1.9	1.4
TOTAL	**7.1**	**34.5**	**23.5**	**11.3**	**11.9**

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 prior years' debt finance

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Own resources	3.6	3.8	3.8	10.4	12.1

- 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 increase by £2.6m during 2022/23. 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

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
General Fund services	44.3	47.1	49.8	49.0	47.4
Capital investments	27.1	26.9	26.8	26.6	26.4
TOTAL CFR	**71.4**	**74.0**	**76.6**	**75.6**	**73.8**

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 £0.98m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Asset sales	0.66	0.70	0.70	7.15	8.80
Loans repaid	0.31	0.32	0.28	0.20	0.12
TOTAL	**0.97**	**1.02**	**0.98**	**7.35**	**8.92**

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 £39.1m borrowing at an average interest rate of 2.8% and £61.2m treasury investments (bank, MMFs, DMO, LAs, property fund) at an average rate of 0.01%

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 0.90%) and long-term fixed rate loans where the future cost is known but higher (currently 1.8% to 2.0% for 10 years).

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

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Debt (incl. leases)	39.9	39.3	39.2	39.1	38.9
Capital Financing Requirement	**71.4**	**74.0**	**76.6**	**75.6**	**73.8**

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 £10m at each year-end. This benchmark is currently £(6.0m) and is forecast to rise to £23.8m over the next three years.

Table 7: Borrowing and the Liability Benchmark in £m

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Outstanding borrowing	39.4	38.8	38.7	38.6	38.4
Liability benchmark	**(16.1)**	**(6.0)**	**6.6**	**15.6**	**23.8**

The table shows that the Council expects to slowly reduce its borrowing towards the liability benchmark. It is not expected to reduce to the benchmark because fixed borrowing that took place in the past (and was required at that time), and the council's current high levels of balance sheet resources (reserves and working capital).

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

	2021/22 limit	**2022/23 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

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Near-term investments	28.36	21.00	11.00	10.00	10.00
Longer-term investments	11.43	11.45	11.18	11.00	10.80
TOTAL	**39.79**	**32.45**	**22.18**	**21.00**	**20.80**

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

3.6 Risk Management and Governance

The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- ➢ The treasury management prudential indicators are included in the Treasury Management Strategy

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 £70.72m with the largest being Tri-link, Wakefield at £14.25m. The total portfolio provides a net yield (rental income/valuation) of 6.9%.

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 £38.8m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £95.2m). The Council has also set aside £1.8m to cover risks from NDR Appeals Provision. The Council is also at risk of having to pay for contingent liabilities of £3.5m as at 31st March 2021, including Contaminated Land (£2.9m) and Municipal Mutual Insurance Liquidation (£0.6m). 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 2020/21 statement of accounts

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

	2020/21 actual £m	**2021/22 forecast £m**	**2022/23 budget £m**	**2023/24 budget £m**	**2024/25 budget £m**
Gross service expenditure	71.928*	76,120	64,296	63,936	64,741
Financing costs (£m)	3.174	3.405	4.154	4.457	4.629
Proportion of net revenue stream	4.41%	4.47%	6.46%	6.97%	7.15%

*This figure has been adjusted to remove expenditure on covid related grants in order to preserve comparability across years. The grant payments were funded by grants received from government.

- Further details on the revenue implications of capital expenditure are set out in the 2022/23 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 2022/23 Budget (and Medium Term Financial Strategy 2023/24 to 2026/27).

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 2022/23

Contents

10.0 Investment Indicators

10.1 Total Risk Exposure
10.2 How Investments are Funded
10.3 Rate of Return Received

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 meets 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 £20.0m and £60.0m during the 2022/23 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 2022/23 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.

Places for People – 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 Places for People 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	**31.12.2021 actual**			**2022/23**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Places for People	4,767	0	4,767	**Limit not split across categories**
Cambridge Regional College	341	0	341	
Huntingdon Gymnastics Club	15	0	15	
Urban and Civic	1,984	0	1,984	
Improvement Loans	311	0	311	
Employee Loans	70	0	70	
Rental Deposits	44	0	44	
TOTAL	**7,532**	**0**	**7,532**	**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 are 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 Reports 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	31.12.2021 actual			2022/23
	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 5 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	31.3.2021 actual		31.3.2022 expected	
	Opening Value	**Gains or (losses)**	**Value in accounts***	**Gains or (losses)**	**Value in accounts**
Existing Portfolio	21,225	12,668	33,893	0	33,893
2 Stonehill	1,800	350	2,150	0	2,150
80 Wilbury Way	1,870	(95)	1,775	0	1,775
Shawlands Retail Park	4,500	1,043	5,543	0	5,543
1400 & 1500 Parkway	4,400	(200)	4,200	0	4,200
Units 21a, 21b,23a,b,c Little End Road, St Neots	2,900	500	3,400	0	3,400
Rowley Arts Centre, St Neots	5,750	(1,743)	4.007	0	4.007
Tri-link, Wakefield	12,500	1,750	14,250	0	14,250
Alms Close	0	1,502	1,502		1,502
TOTAL	**54,945**	**15,775**	**70,721**	**0**	**70,721**

** 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 does not 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 Strategy. 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

	2020/21 Actual	**2021/22 Forecast (September)**	**2022/23 Budget**	**2023/24 Budget**	**2024/25 Budget**
Gross service expenditure	71,928*	76,120	64,296	63,936	64,741
Investment income	3.174	3.405	4.154	4.457	4.629
Proportion	4.41%	4.47%	6.46%	6.97%	7.15%

*This figure has been adjusted to remove expenditure on covid related grants in order to preserve comparability across years. The grant payments were funded by grants received from government.

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 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	**31.03.2021 Actual**	**31.03.2022 Forecast**	**31.03.2023 Forecast**
Treasury management investments	32,361	25,000	15,000
Service investments: Loans	7,425	7,455	7,179
Service investments: Shares	100	100	100
Commercial investments: Property	56,904	56,904	56,904
TOTAL INVESTMENTS	**96,790**	**89,459**	**79,183**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**96,790**	**89,459**	**79,183**

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	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	0	0	0
Service investments: Loans	5,185	4,584	4,456
Service investments: Shares	0	0	0
Commercial investments: Property	24,255	24,255	24,255
TOTAL FUNDED BY BORROWING	**29,440**	**28,839**	**28,711**

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	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	0.01%	0.01%	0.03%
Property Fund	4.25%	3.80%	3.80%
Service investments: Loans	3.21%	3.80%	3.90%
Service investments: Shares	n/a	n/a	n/a
Commercial investments: Property	6.00%	4.60%	4.20%
ALL INVESTMENTS	**3.4%**	**3.1%**	**3.0%**

Table 8: Other investment indicators

Indicator	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Interest Cover Ratio	2.7	2.6	2.3
Loan to Value Ratio	128.3%	128.3%	128.3%
Gross Rent Multiplier	14.5	14.5	15.1

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Appendix 4

MINIMUM REVENUE PROVISION STATEMENT 2022/23

1.0 Introduction

1.1 Where the Authority 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 2008. The Local Government Act 2003 requires the Authority to have regard to the former 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 capital expenditure is financed 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 PWLB 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. MRP on purchases of land will be charged over 50 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. Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

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 policy is:

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Appendix 5

Flexible Use of Capital Receipts Strategy

1.0 Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20. It was subsequently extended to 2021/22 and has now been extended again for 3 years from 2022-23.

Ordinarily only expenditure qualifying as capital may be funded from capital receipts.

2.0 The Guidance

The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

- The Council is also required to prepare a “Flexible use of capital receipts strategy” before the start of the year to be approved by Council which can be part of budget report to Council.

The guidance sets out examples of qualifying expenditure which includes;

- Sharing back-office and administrative services with one or more other council or public sector bodies;

- Investment in service reform feasibility work, e.g. setting up pilot schemes;

- Collaboration between local authorities and central government departments to free up land for economic use;

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;

- Sharing Chief-Executives, management teams or staffing structures;

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;

- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;

- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);

- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.

3.0 The Council’s Proposals

The Council intends to use flexibility over capital receipts to support the following transformational projects:

The Council currently has no plans to use capital receipts for transformational purposes, if circumstances change then a revised strategy will be produced and approved.