Nuneaton & Bedworth
United to Achieve

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Date: 10th February 2022

Dear Sir/Madam,

Addendum Council – 14th February, 2022

1. I refer to item no 3 on the agenda and attach the Extraordinary Council minutes which was held on 26th January 2022 that was marked to follow **(Page 3)**

2. I refer to item no.11d on the agenda and following the consideration of the item at Cabinet held on 9th February 2022, attach the General Fund Revenue and Capital Budgets 2022/23 report that was marked to follow **(Page 15)** and put forward the recommendations to Council below for approval:

    a) the General Fund Revenue Budget for 2022/23, as detailed at Appendix D of the report, with a net revenue expenditure of £13,178,460 be agreed and submitted to full council for approval, including the growth and savings initiatives detailed in this report

    b) to note the initial budget savings that were approved by NBBC Cabinet on 8th December 2021 and include them in the budget for final approval by Full Council on 14th February 2022

    c) the Capital Programme for 2022/23 of £61,597,696 be recommended to Council for approval

3. I refer to item no. 11e on the agenda and following the consideration of the item at Cabinet held on 9th February 2022, attach the Housing Revenue Account Budget and Capital Programme – 2022/23 report that was marked to follow **(Page 45)** and put forward the recommendations to Council below for approval:

    a) the forecast outturn for 2021/22 be noted and revised capital programme for 2021/22 of £21.294m be recommended to council

    b) the draft HRA Capital Programme for 2022/23 of £22.938m be approved and recommended to Council, as shown at Appendix C

    c) the 2022/23 draft HRA Revenue budget, including the rent and fee changes, be recommended to Council for approval

4. I refer to item no. 11g on the agenda and following the consideration of the item at Cabinet held on 9th February 2022, attach the Treasury Management Strategy and Budgetary Framework 2022/23 report that was marked to follow **(Page 67)** and put forward that **the proposed Treasury Strategy and Budgetary Framework 2022/23, as detailed in Appendix G (Page 99) be agreed and submitted to full council for approval including:**

- **Treasury Strategy**
- **Treasury and Prudential Indictors**
- **MRP Policy Statement**
- **Capital Resource Allocations**

5. I refer to item no. 11h on the agenda and following the consideration of the item at Cabinet held on 9th February 2022, include a link to Appendix A: Local Council Tax Support Policy (a paper copy of this will be available in the members rooms for inspection) that was marked to follow and put forward **the recommendation to council that the Local Council Tax Scheme at Appendix A be approved**.

https://www.nuneatonandbedworth.gov.uk/meetings/meeting/2438/cabinet

Additional Item:

12. Audit Appointment 2023/24 to 2027/28

Due to the requirement to appoint external auditors to the Council for the accounts for the five-year period from 2023/24 to 2027/28 before 11th March 2022, it is necessary for council to consider the above item and the recommendations put forward within the report. **(Page 100)**

Yours faithfully,

BRENT DAVIS

Chief Executive

To: Members of the Council

NUNEATON AND BEDWORTH BOROUGH COUNCIL

COUNCIL **26th January 2022**

An Extraordinary meeting of Nuneaton and Bedworth Borough Council was held on Wednesday 26th January 2022 in the Council Chamber of the Town Hall Nuneaton.

Present

The Deputy Mayor (Councillor J. Clarke)

Councillors, R. Baxter-Payne, D. Brown, S. Croft, L. Cvetkovic, L. Downs, C. Golby, J. Gutteridge, B. Hammersley, S. Harbison, J. Hartshorn, L. Hocking, J. Kennaugh, K. Kondakor, S. Markham, B. Pandher, N. Phillips, J. Sheppard, J. Singh, R. Smith, M. Walsh, C. Watkins, and K. Wilson

Apologies were received from Councillors B. Beetham, K Evans, M. Rudkin, T. Sheppard, M. Tromans, R. Tromans, H. Walmsley

CL51 **Declarations of Interests**

RESOLVED that the Declarations of Interests for this meeting are as set out in the schedule attached to these minutes.

CL52 **Announcements**

Councillor K. Wilson, Leader of the Council made the following statement to full council and members of the public on the recycling bin strike:

"Mr Deputy Mayor, with permission I would like to make a statement to Full Council about the current recycling bin strike that we are facing. I feel it is important to take this opportunity to give an update to all members – and the public.

This is the earliest chance that I have had to inform Council. It may seem like a novel concept in this chamber for a Cabinet member to do this, but as I have said many times – this Council is more open and transparent under this new Conservative administration.

As members will be aware, there is presently a strike between Unite the Union and Coventry City Council over their pay and term and conditions. I would like to emphasise that this is a dispute between Coventry Council and their employees, and their dispute has nothing to do with the residents of Nuneaton and Bedworth. Yet we are affected by the continuing strike. That is because our recycling collection was contracted out by the last Labour council to Coventry City Council with no competitive tendering process.

I would like to say from the outset that I wish to express my thanks to those drivers and binmen from Coventry who have been coming over to Nuneaton and Bedworth and doing the job that they are paid to do. The dispute is

mainly with the HGV drivers, and I am aware that there are potentially more binmen who would like to come over and complete their daily job for Nuneaton and Bedworth but are prevented from doing so by striking drivers. Thanks to those men and women who have continued to do their job, it means that approximately two-thirds of recycling rounds are being completed on any given day. This means that we have one third which are not.
Initially the strike was scheduled to be on odd days in January, and into February and March. Unite the Union have now escalated their action into all out disruption for the next 2 months. It is my understanding, Mr Deputy Mayor, that Unite the Union have so far refused to go to arbitration through ACAS. I have to wonder that if Unite is so convinced of the merits of its case why it has refused. I suspect they know the answer, and it would not be favourable to them.

The strikers are demanding pay rises beyond the financial ability of Coventry City Council and would break equal pay legislation. It would also put additional financial pressure on key priority services like adult social care and vulnerable children.

They claim they are on “poverty pay”. Yet, according to their Council, the average wage of a HGV driver is £34,000 with some reaching as much as £54,000. The union disputes this, but given that Coventry City pay the wages, I would suspect the Council know what their pay bill is.

£34,000 Mr Deputy Mayor. I would not class that as poverty pay. That is a wage that many of our residents in Nuneaton and Bedworth can only dream and aspire to. I certainly know that I for one don’t earn anywhere near that sort of salary. I’m afraid that the strikers are significantly divorced from reality over this.

They have a pay deal on the table to amend their contract to 52-weeks a year rather than 51. When I go to work, Mr Deputy Mayor, I – and I suspect most other people in our Borough – have a 52 week contract. They have been offered £3,500 – tax free – to buy out their contract. And there is also an offer of £1,300 for the lowest paid workers as a pay increase. To me that seems like a perfectly reasonable deal.

Of course, whilst they are on strike the strikers will not be paid. If they are supposedly on poverty pay, I am forced to wonder how they can afford to live with no pay for 2 months.

Whilst this issue remains unresolved Coventry residents are suffering. And our residents here in Nuneaton and Bedworth are being hit hard too.
I can assure Council that this Conservative administration takes this issue extremely seriously. As Leader, I have implemented an Emergency Cabinet Sub-Committee that meets every Monday with the leading officers to discuss the progress of the Coventry strike and the actions that we can take ourselves to deal with the worst effects.

The solutions are not ideal and are considerably complicated further by the legislation surrounding strikes. It would appear that the law provides more protection to the unions then it does to innocent taxpayers of Nuneaton and Bedworth.

I have instructed that where a recycling bin has not been collected, if a resident puts their recycling in a bin liner at the side of their bin on the next black bin collection day that this will be collected by either our waste operatives or an additional van and staff that we are allocating to collect the additional waste. This is a temporary measure for the duration of the strike only and is a perfectly reasonable management request to our staff during these emergency times.

Secondly, we are in the process of obtaining permission from the Environment Agency for emergency permits to have deposit sites at three locations in our Borough for residents to bring their recycling if they can. When these sites are operational, I would ask that residents who are able to drop off their recycling at these sites do so as this means that our black waste operatives can complete their normal rounds as quickly as possible. But where residents are unable to do so we will work to maintain the additional collections with the black bin. I am certainly not going to give ludicrous advice, as appears to be the case in Coventry, that you can cycle with your waste to one of the drop-off sites.

Mr Deputy Mayor, we are working hard to limit the impact of the strike between Unite the Union and Coventry City Council on our Borough. It will undoubtedly place an additional financial burden on this Council. We would appear to be collateral damage to the unions in this dispute. The costs to us are yet to be assessed and worked out fully.

But I can confirm that we will only be paying Coventry City Council for work that is completed under the contract, and not the normal value of the contract. We will pay what we owe for services rendered, and not a penny more.
In closing, Mr Deputy Mayor, I would like to reiterate my thanks to those Coventry workers who are continuing to turn up to work and are providing a service to our residents. To me, that highlights the best of what local councils and public service do for our residents.

This Conservative administration is doing everything we possible can within the law to defend the interests of our residents. We have no say in this dispute. If the Trade Unions are so sure of the righteousness of their case and their argument, then they should sit down with the arbitrators and test it. Causing misery to the residents of Nuneaton and Bedworth – and, indeed, Coventry – is neither fair nor proportionate.

I make this plea to the strikers. The offer you have is reasonable and far more than most of your affected communities are getting. Please, take the pay rise that you have been offered and serve the communities you are employed to support."

CL53 **Public Participation**

Question 1 - Public

Mr Sam Margrave submitted the following question of Councillor K. Wilson, Leader of the Council:

This meeting is being held in secret using the exclusion of the public and press.

But you have criticised decisions being made behind closed doors in the past and promises a new era of transparency.

Is it a legal requirement to hold this meeting excluding the public and press, or a choice by Councillors to creep back in to old ways that saw secret meetings at the Town hall for decades, and if it is not a legal requirement for Councillors to exclude the public and press, and Councillors have a choice whether to be open and transparent or have a culture of taking decisions behind closed doors - will you choose to allow the public to stay and see the debate and be open about reasons for your decisions and commit not to create a culture that hides things from local people whether it be this Council meeting, Standards Committee, the Borough Plan or decisions about senior appointments, spending tax payers money or other decisions you make in the name of the public, so we can see what you are upto and have continued trust in this new council which is doing new things?"

The Leader of the Council, Councillor K. Wilson responded as follows:

We are absolutely on this side of the chamber a transparent administration and I think that the statement I gave just a few moments ago would evidence the fact that we are doing things differently and we are putting information out there to the residents and being as open and transparent as we can be.

However the item we are considering is the appointment of a S151 officer, this is not a generally point of policy or principle, this is a specific individuals employment, they are not even technically our employee yet and neither I nor I suspect Mr Margrave would want the details of their employment contract or employment offers broadcast out there for all an sundry to see that isn’t fair nor is it (to turn a coin of phrase) playing cricket.

I believe that it is only fair and proportionate when dealing with an individual’s contract of employment we consider it carefully and confidentially because it could have wide ranging ramifications for their employment now and future job prospects further down the line because I am not going to presuppose the outcome of the debate later on. It is I can confirm an absolute requirement to do so to have this in confidential session and wherever possible we try to have things out in the open as for other committees that is another matter for those committees to decide based on the merits of the case before them but this is absolutely Mr Deputy Mayor a more open, transparent and democratic council under this new leadership.

CL54 **Exclusion of Public and Press**

RESOLVED that under section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item, it being likely that there would be disclosure of exempt information of the description specified in paragraph (i) and (iv) of Part I of Schedule 12A to the Act.

CL55 **Appointment of S151 Officer**
A report of the Chief Executive was presented to full council for consideration to appoint a S151 Officer.

RESOLVED that

a) subject to completion of all appropriate pre-employment checks, the appointment of VS to the post of Director - Finance & Enterprise and Section 151 Officer be confirmed; and

b) the Chief Executive be given delegated authority to make a formal offer of employment and agree the start date for VS to commence her role.

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Mayor

Council - Schedule of Declarations of Interests – 2021/2022

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	General dispensations granted to all members under s.33 of the Localism Act 2011			Granted to all members of the Council in the areas of: - Housing matters - Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - An allowance, payment given to members - An indemnity given to members - Any ceremonial honour given to members - Setting council tax or a precept under the Local Government Finance Act 1992 - Planning and Licensing matters - Allotments - Local Enterprise Partnership
	R. Baxter-Payne	Manager Brinklow Quarry Ltd, Brinklow; County Councillor - WCC	Spouse: Self-employed childminder	
	B. Beetham	Employed at The George Eliot Hospital; Warwickshire County Council – Camp Hill	Member of the following Outside Bodies: • Camp Hill Urban Village: Pride in Camp Hill Board • Committee of Management of Hartshill and Nuneaton Recreation Ground	
	D. Brown	Employed by H.M Land Registry	Regional Coordinator, Ragdoll Rescue Charity. Representative on the following Outside Bodies: • Exhall Education Foundation; • Warwickshire Joint Overview and Scrutiny Committee; • NBBC Biodiversity Champion	
	J. Clarke	Employed by Marcus Jones MP	County Councillor W.C.C. Nuneaton Conservative Association; Deputy Chairman	
	T. Cooper	None	Member on the following Outside Bodies: • Camp Hill Urban Village: Pride in Camp Hill Board	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			• Committee of Management of Hartshill and Nuneaton Recreation Ground	
	S. Croft	Employed at Holland & Barrett Retail Ltd	Treasurer of the Conservative Association Member of the following Outside Bodies: • Champion for Safeguarding (Children and Adults) • Local Government Superannuation Scheme Consultative Board • West Midlands Employers	
	L. Cvetkovic	Head of Geography (Teacher), Sidney Stringer Academy, Coventry	The Bulkington Volunteers (Founder); Bulkington Sports and Social Club (Trustee) Member on the following Outside Bodies: • Building Control Partnership Steering Group	
	L. Downs	River Bars Limited; Coventry Plus Beyond the Plane	NBBC representative on the Armed Forces Covenant Meeting	
	K. Evans	Employed by UK Parliament	Sponsorship: Election Expenses – North Warwickshire Conservative Association	
			Membership of Other Bodies: West Midlands Combined Authority Audit Committee.	
			Executive Officer – North Warwickshire Conservative Association; Member of the Conservative and Unionist Party; Member of the Governing Body – Race Leys Infant School	
	C. Golby		Member of Warwickshire County Council	
			Member of the following Outside Bodies: • Coventry, Warwickshire and Hinckley and Bosworth Joint Committee	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			• District Leaders • Local Enterprise Partnership • Nuneaton and Bedworth Community Enterprises Ltd. (NABCEL) • Nuneaton and Bedworth Home Improvement Agency • NBBC representative on the George Eliot Hospital NHS Trust – Public/User Board • NBBC representative on George Eliot Hospital NHS Foundation Trust Governors	
	J. Gutteridge		Representative on the following Outside Bodies: • Warwickshire Health and Wellbeing Board • Age UK (Warwickshire Branch) Member of NABCEL	
	B. Hammersley	County Councillor – W.C.C.		
	S. Harbison	Employed by Meridian c/o Hello Fresh, 1 St Georges Way, Nuneaton	Member on the following Outside Bodies: • Poor's Piece Charity • Astley Charity	
	J. Hartshorn	Employed by Nuneaton Library – Digital Inclusion – WCC (Senior Customer Service Assistant) COVID Community Testing – WCC – Team Leader (Casual)	Member of Nuneaton Conservatives	
	L. Hocking	Employed by Openreach	Member of: • Unite the Union • Communication Workers Union	
	J. Kennaugh	County Councillor W.C.C. Employed by UK	Member of the W.C.C. Regulatory Committee Member of the Conservative Party	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
		Flooring Direct Ltd.	Member of UNITE the Union Nuneaton and Bedworth representative for the Equality and Inclusion Partnership NBBC Representative on Warwickshire Race Equality Partnership	
	K.A. Kondakor	Electronic Design Engineer (self-employed semi-retired); Statistical data analyst and expert witness (self employed)	Unpaid director of 100PERCENTRENEWABLEUK LTD	
	A. Llewellyn-Nash	Employee of BMI Healthcare	Treasurer of Exhall Multi-cultural Group Governor at Newdigate Primary and Nursery School, Bedworth Member of the following Outside Bodies: • Hospice Charity	
	S. Markham	County Councillor – W.C.C.	Member of the following Outside Bodies: • Bedworth Neighbourhood Watch • Governor at Ash Green School • Sherbourne Asset Co Shareholder Committee; • Nuneaton and Bedworth Sports Forum; • Warwickshire Direct Partnership; • Warwickshire Waste Partnership;	
	B. Pandher		Member of Warwickshire County Council Treasurer & Trustee of Nanaksar Gurdwara Gursikh Temple; Coordinator of Council of Sikh Temples in Coventry; Secretary of Coventry Indian Community; Trustee of Sikh Monument Trust Vice Chair Exhall Multicultural Group Member of the following Outside Bodies: • Foleshill Charity Trustee – Proffitt’s Charity	
	N. Phillips	Employee of DWP	Member of: • Nuneaton Labour CLP	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			• The Fabian Society • The George Eliot Society • The PCS Union • Central Credit Union • Stockingford Sports and Allotment Club • Haunchwood Sports and Social Club	
	M. Rudkin	Employee of Coventry City Council	Unite the Union	
	A. Sargeant	Employed by Pertemps	Chairman of The Nook (Nuneaton) Residents Association. Member of Nuneaton Carnival Committee.	
			Representative on the following Outside Bodies: • Advice Rights	
	J. Sargeant	Head of Retail – Life Charity		
	J. Sheppard		Partnership member of the Hill Top and Caldwell Big Local.	Dispensation to speak and vote on any matters of Borough Plan that relate to the Directorship of Wembrook Community Centre
			Director of Wembrook Community Centre.	
			Member of the Management Committee at the Mental Health Drop in.	
	T. Sheppard	Employee of Dairy Crest		
	J. Singh			
	R. Smith		Chairman of Volunteer Friends, Bulkington; Trustee of Bulkington Sports and Social Club; Member of the following Outside Bodies: • A5 Member Partnership; • Patrol (Parking and Traffic Regulation Outside of London) Joint Committee; • Building Control Partnership Steering Group • Bulkington Village	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Community and Conference Centre • Representative on the Nuneaton and Bedworth Older Peoples Forum • Digital Infrastructure Board	
	M. Tromans	RTC Ltd, Nuneaton; WCC, Warwick	Nuneaton Acorns WI	
	R. Tromans	RTC, Nuneaton AFL, Wellingborough	W.C.C. Warwick Member of the following Outside Bodies: • Nuneaton Neighbourhood Watch Committee • Nuneaton Festival of Arts	
	H. Walmsley	Chief of Staff to Julian Knight MP	Chartered Institute of Public Relations Member on the following Outside Bodies: • Friendship Project for Children • West Midlands Combined Authority Audit Group	Dispensation to speak and vote
	M. Walsh	Employed by MacInnes Tooling Ltd. – UK Sales Manager		
	C.M. Watkins	Landlord of a privately rented property	Representative on the following outside bodies: • Nuneaton and Bedworth Community Enterprises Ltd. (NABCEL)	
	K.D. Wilson	Acting Delivery Manager, Nuneaton and Warwick County Courts, HMCTS, Warwickshire Justice Centre, Nuneaton	Nuneaton Conservative Association Corporate Tenancies: properties are leased by NBBC to Nuneaton and Bedworth Community Enterprises Ltd, of which I am a Council appointed Director. Representative on the following: • Director of Nuneaton and Bedworth Community Enterprises Ltd (NABCEL) • Coventry, Warwickshire and Hinckley & Bosworth Joint Committee • District Council Network • Local Government	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
			Association • Director of Coventry and Warwickshire Local Enterprise Partnership Ltd (CWLEP) • West Midlands Combined Authority • Deputy Chairman – Nuneaton Conservative Association • District Council Network • Local Government Association	

Agenda item: 11d

CABINET

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date:	**9 February 2022**
Subject:	**General Fund Budget and Capital Programme – 2022/23**
Portfolio:	**Finance & Corporate Affairs (Councillor S Croft)**
From:	**Interim Director of Finance & Enterprise**

Summary:

The report presents the draft General Fund Revenue Budget and Capital Programme for 2022/23 for consideration and submission to Council for approval. A forecast outturn for 2021/22 is also included in the report.

Recommendations:

- To note the forecast outturn for the General Fund Revenue and Capital Budgets for 2021/22.
- That the General Fund Revenue Budget for 2022/23, as detailed at Appendix D, with a net revenue expenditure of £13,178,460 be agreed and submitted to Full Council for approval, including the growth and savings initiatives detailed in this report.
- To note the initial budget savings that were approved by NBBC Cabinet on 8 December 2021 and include them in the budget package for final approval by Full Council on 14 February 2022.
- That the Council Tax requirement for 2022/23 is determined as £9,743,704.34 (an increase of 1.99% or £4.85 on a Band D property).
- That the Capital Programme for 2022/23 of £61,597,696 be recommended to Council for approval.
- To note the 2022/23 Business Rates forecast reported to the Department for Levelling Up Housing & Communities is included in the draft budget.
- That Cabinet approve the Fees and Charges for 2022/23.

- To note the Chancellor of the Exchequer's announcement on 3 February 2022 of additional support to Council Taxpayers related to energy costs and to provide delegated authority to the Interim Director of Finance & Enterprise to put the technical arrangements in place to deliver this Policy to local Council Taxpayers.

- To note the potential delay in setting the Police Precept and provide officers with delegated authority to work with members to ensure final total Council Tax levels can be set in a timely fashion.

- That delegated authority be given to the Director of Finance & Enterprise to carry out procurement exercises in accordance with the Council's Contract Procedure Rules to deliver the Capital Programme for the General Fund.

- Due to the timescales involved with setting the budget and Council Tax for 2022/23, this report is not subject to the call-in procedures as provided for in paragraph 15(f) of the Overview & Scrutiny Procedure Rules in Part 4 of the Constitution.

Options:

To accept the report or request further information, having regard to the legal deadlines for setting the Council Tax.

Reasons:

The Council must set and maintain a balanced budget each year.

Consultation undertaken with Members/Officers/Stakeholders:

Portfolio Holders have been consulted on draft budgets.

Local business representatives were invited to participate in the consultation survey. This is currently in process and results will be reported to the Council meeting on 14 February 2022.

Subject to call-in: No

Ward relevance: All

Forward plan: Yes

Relevant statutes or policy:

Local Government Act 2003

Local Government Finance Act 1992

Equalities Implications: None

Human resources implications:

Employee costs are a significant part of the General Fund budget. The Management of Change Policy will apply to any employees affected by budgetary decisions.

Financial implications: Included throughout the report.

Health Inequalities Implications: None

Section 17 Crime & Disorder Implications: None

Risk management implications:

All budgetary decisions will need to be risk assessed to ensure they are achievable and to be fully aware of any implications.

Environmental implications: None

Legal implications:

The Council must set a risk assessed balanced budget each year. In addition, the Cabinet must comply with the Budget & Policy Framework Procedure Rules set out in section 4C of the Council's Constitution.

Contact details:

Stephen Fitzgerald – Interim Director of Finance & Enterprise

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AGENDA ITEM NO. 11d

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Cabinet – 9 February 2022**

From: **Interim Director of Finance & Enterprise**

Subject: **General Fund Budget and Capital Programme 2022/23**

Portfolio: **Finance & Corporate Affairs (Councillor Sam Croft)**

Delivering Our Future Theme: 3

Delivering Our Future Priorities: 1, 2 and 3

1.0 Recommendations

1.1. To note the forecast outturn for the General Fund Revenue and Capital Budgets for 2021/22.

1.2. That the General Fund Revenue Budget for 2022/23, as detailed at Appendix D, with a net revenue expenditure of £13,178,460 be agreed and submitted to Full Council for approval, including the growth and savings initiatives detailed in this report.

1.3. To note the initial budget savings that were approved by NBBC Cabinet on 8 December 2021 and include them in the budget package for final approval by Full Council on 14 February 2022.

1.4. That the Council Tax requirement for 2022/23 is determined as £9,743,704.34 (an increase of 1.99% or £4.85 on a Band D property).

1.5. That the Capital Programme for 2022/23 of £61,597,696 be recommended to Council for approval.

1.6. To note the 2022/23 Business Rates forecast reported to the Department for Levelling Up Housing & Communities is included in the draft budget.

1.7. That Cabinet approve the Fees and Charges for 2022/23.

1.8. To note the Chancellor of the Exchequer’s announcement on 3 February 2022 of additional support to Council Taxpayers related to energy costs and to provide delegated authority to the Interim Director of Finance & Enterprise to put the technical arrangements in place to deliver this Policy to local Council Taxpayers.

1.9 To note the potential delay in setting the Police Precept and provide officers with delegated authority to work with members to ensure final total Council Tax levels can be set in a timely fashion.

1.10 That delegated authority be given to the Director of Finance & Enterprise to carry out procurement exercises in accordance with the Council's Contract Procedure Rules to deliver the Capital Programme for the General Fund.

1.11 Due to the timescales involved with setting the budget and Council Tax for 2022/23, this report is not subject to the call-in procedures as provided for in paragraph 15(f) of the Overview & Scrutiny Procedure Rules in Part 4 of the Constitution.

2.0 <u>The Key Elements of the Budget</u>

2.1. A Council Tax for Nuneaton & Bedworth Borough Council (NBBC) of £248.51 at band D with an increase of £4.85 or 1.99% when compared with 2021/22.

2.2 A net Revenue budget of £13.2m and increase in total spend of £1.8m.

2.3 The provision of £2.2m of revenue growth to deliver on Council initiatives and to meet unavoidable spending pressures.

2.4 The identification £2.1m of revenue savings to improve efficiency and provide value for money.

2.5 A total of £18.5m of revenue reserves, split between £3.4m (General Reserves) and £15.1m (Earmarked Reserves) to ensure the management of risk.

2.6 A Capital Programme of £61.6m to invest in infrastructure for Nuneaton and Bedworth.

2.7 A Medium-Term Financial Plan, that is designed to support the delivery of financial sustainability, economic growth, and the Building a Better Borough (BABB) Programme.

3.0 <u>Forecast Outturn 2021/22 as at the end of December 2021 (Quarter 3)</u>

3.1. The forecast outturn for the General Fund for the current year is a £162k overspend. A summary of the forecast outturn with key variances and associated notes is shown in **Appendix A.**

4.0 <u>Budget Base Position</u>

4.1. The proposed budget for 2022/23 includes the following assumptions:

- Pay award estimate of 2.5% plus increased Independent Living Wage
- No price inflation unless it is contractual or unavoidable
- Employers' pensions contributions in line with the 2019 triennial valuation
- An increase in the Council Tax base of 2.08% to 39,208.5 Band D equivalents
- Interest Rates on the basis of the latest forecasts
- 1.5% vacancy saving
- Business Rates in line with the table at Section 5.2 below.

4.2. Other relevant factors:

- Negotiations on the pay offer for 2021/22 are still ongoing and are yet to be finalised. The predicted outturn for 2021/22 assumed a pay award based on the current proposed offer of 1.75%.
- The budget assumes that some of the financial impact of COVID-19 will continue into 2022/23.
- A number of spend pressures have been included in the draft budget as they have arisen.
- Some of the savings above may have employee implications and where that is the case the Council's Management of Change process will be followed.
- As part of the annual budget setting process Fees and Charges are reviewed. Where changes have been made, these are shown in the savings schedules to this report.

4.3. The base position that provided the starting point for 2022/23 is £13.3m.

5.0 The Journey to a Balanced Budget

5.1. The £13.3m base position was funded by £11.3m of predicted resources, leaving a budget gap of £1.5m before growth and savings.

5.2. Specifically dealing with 2022/23, in order to close the gap, the budget contains the following elements:

Budget Item	£m
Initial Budget Gap (September 2021)	1.501
Total Growth	2.197
Total Savings	(2.126)
Additional Income from the 2022/23 Local Authority Finance Settlement	(0.795)
Additional Treasury Management Income	(0.300)
Contribution from Reserves for One off Growth	(0.326)
Additional Collection Fund Surplus Income	(0.050)
Additional Council Tax income from increased Tax Base	(0.103)
Net (Surplus) / Deficit	**(0.002)**

Growth

5.3. A total of £2.2 million growth in the budget to cover Council Initiatives and unavoidable spending pressures.

Growth Approval	£
8 December Report	90,385
9 February Report	2,106,970
Total	**2,197,355**

5.4. A summary by portfolio is shown below with the detail at **Appendix B**.

Savings

5.5. A total of £2m of savings in the budget to enhance value for money and deliver a balanced position. This includes some ongoing legacy savings from service restructures undertaken during 2021/22.

Savings Approval	£
8 December Report	1,131,260
9 February Report	830,840
Legacy savings from service restructures undertaken in 2021/22	164,000
Total	**2,126,100**

5.6. A summary by Portfolio is shown below, with the detail at **Appendix C**.

Council Tax

5.7. The proposed Council Tax is £248.51 at Band D, an increase of £4.85 or 1.99%. This is the minimum required to maintain a balanced position and ensure financial sustainability.

Warwickshire Police Precept

5.8. The Warwickshire Police & Crime Panel met on 27 January 2022 and voted not to support the Police & Crime Commissioner's proposed precept increase of £9.99 or 3.95%. There is now a legal process which must follow, with tight timelines, which may have repercussions for billing authorities (including NBBC) for the process of consolidating the 2022/23 precept and for billing. The report includes a recommendation to enable the Council to undertake whatever action is needed in the circumstances.

Council Tax Rebate (Chancellor of the Exchequer Announcement)

5.9. The Chancellor of the Exchequer's announcement of 3 February 2022 includes the following in relation to Council Tax:

- Households - in Bands A-D will receive £150 rebate on Council Tax – no other criterion is necessary. This is a non-recoverable award which applies from April and will be funded by Central Government.

- Councils will receive a share of a £144m Discretionary Fund to aid any household – including those who are exempt from Council Tax.

Annual Local Authority Finance Settlement

5.10. On 16 December 2021 the Secretary of State for the Department for Levelling Up, Housing & Communities announced the provisional Local Government Finance Settlement for 2022/23, the Final Settlement is expected in early February 2022, followed by approval in Parliament. Key elements of the Settlement for NBBC are:

- Core Spending Power increased to £14.7m in 2022/23 from £14.5m in 2021/22
- Lower Tier Services Grant to be continued in 2022/23 providing an additional £166k
- A new Core Services Grant for 2022/23 created, providing an additional £254k
- New Homes Bonus to be continued for a for a further year, providing a further £375k to NBBC in 2022/23
- Council Tax referendum principles set at 2% for district councils with continued option for £5
- Revenue Support Grant floor set at 0% so that there is no negative RSG in the system. This benefits NBBC which would otherwise experience negative RSG
- In total, the provisional settlement provides for an additional £795k of funding that was not included in the Council's projections prior to December 2021.

Business Rates

5.11. A summary of the income from NNDR and other core funding for NBBC for 2022/23 compared to 2021/22 is shown below:

	2021/22 £'000	2022/23 £'000
Business Rates (including S.31 Grants)	(14,126)	(13,492)
Tariff (payable to DLUHC)	9,414	9,415
Net Retained Business Rates	**(4,712)**	**(4,077)**
New Homes Bonus	(851)	(644)
Total Core Funding	**(5,563)**	**(4,721)**
NDR Collection Fund (Surplus)/Deficit *	4,960	1,723
Council Tax Collection Fund (Surplus)/Deficit	57	(18)
Other Government Grant Support:		
- COVID Grant Support	(762)	0
- Local Council Tax Support Funding	(194)	0
- Core Services Grant	0	(254)
- Lower Tier Services Grant	(361)	(166)
Total Funding Before Council Tax	**(1,863)**	**(3,436)**

* Due to timing differences in accounting for COVID Business Rates Relief and corresponding deficits being charged to the General Fund, these charges are mitigated by a corresponding contribution from earmarked reserves (funded by Section 31 Grants).

Council Tax Base and Collection Fund

5.12. The Council is required to set both the Council Tax Base and an estimate of the Collection Fund surplus or deficit in January each year. The Council Tax Base is the overall number of properties estimated to be liable to pay Council Tax each year, considering discounts and the collection rate. A surplus or deficit may arise each year if actual performance differs from that estimate.

5.13. The total estimated deficit on the Collection Fund in relation to Council Tax amounts to £108k.

5.14. However, amended Government regulations allowing deficits from 2020/21 to be charged to preceptors over three years mean that for 2022/23 there is actually a surplus to be drawn down of £153k with the final residual deficit of £261k to be charged in 2023/24. For Nuneaton & Bedworth Borough Council, the share of the surplus to be drawn down in 2022/23 amounts to £18k with a residual deficit charge of £32k to be made in 2023/24.

5.15. The Council Tax Base for 2022/23 has been set at 39,208.5 Band D equivalent properties. This is an increase on the Tax Base for 2021/22 of 2.1%. Forecast collection rates remain at 98% to reflect the ongoing impact of COVID-19 and hardship.

Budget Consultation

5.16. Under the Local Government Finance Act, all local authorities are required to consult business rate payers as part of the budget setting process. This consultation is underway, and any results will be reported to full Council.

6.0 General Fund Capital Programme

6.1. Details of the revised Capital Programme for 2021/22 and the draft Programme for 2022/23 are attached at **Appendix E**. These total £16.004m and £61.598m respectively. The significantly increased Programme in 2022/23 is largely due to the continuation of the Town Centre Regeneration projects as they progress into construction phase.

6.2. Financing of the revised Programmes for 2021/22 and the draft Programme for 2022/23 are shown in the table below:

	2021/22 Forecast Outturn £'000	2022/23 Draft Budget £'000
Capital Receipts	826	500
Earmarked Reserves	2,290	1,259
Grants and External Contributions	10,438	24,330
Prudential Borrowing	2,450	35,509
Total	**16,004**	**61,598**

6.3. There has been some slippage of projects in 2021/22 where the budget will be moved into 2022/23. These are:

- CCTV Cameras and Wireless Technology – there are issues with access to enable the siting of cameras which have delayed the completion of the project

- Homeless Hostel Conversion – a procurement exercise has been completed with tenders exceeding the budget provision. The spec is currently under review
- Sub Regional Materials Recycling Facility – the Project was delayed due to a lengthy procurement process and evaluation. The Project is now well under way but the spend profile has been revised
- Bedworth Physical Activity Hub – the budget profile has now been aligned with the LUF funding projections
- Pavilions – the leases are now very close to be being signed and that will enable the release of this funding
- Riversley Park Bridge – this has been delayed as it now forms part of the Parks revival element of the Towns Fund Programme.

6.4. There will be further slippage of other projects into 2022/23 and these will be reflected in the outturn report presented to Cabinet in June July requesting formal approval for inclusion in the Capital Programme for 2022/23.

6.5. There are several new or increased projects included in the Programme for 2022/23. These include:

- <u>Green Homes Phase 3</u>
  Funding has been successfully secured as part of the Sustainable Warmth Funding allocation. This Project aims to raise the energy efficiency of low-income and low EPC rated homes, including those living in the worst quality off-gas grid homes: reducing fuel poverty.

6.6. The Council has had a shortage of capital receipts for several years and continues to identify suitable surplus assets for potential disposal. As receipts become available, the use of these will be assessed as part of future Capital update reports or future years' budget setting processes.

7.0 <u>Reserves</u>

7.1. As part of each year's budget, the Council's Chief Financial Officer considers and sets the level of reserves in light of the risks that the Authority faces.

7.2. The Chartered Institute of Public Finance & Accountancy (CIPFA) has guidance on local authority reserves and balances, and this sets out three main purposes for which reserves are held:

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

7.3. As part of this budget, it is proposed that the Council utilises £326k in reserves to cover a range of one-off growth items that will apply to 2022/23 only. This £326k will be drawn down from the ring-fenced reserves for this purpose.

7.4. After this adjustment, forecast reserves at the end of March 2021 through to March 2024 are shown in the table below:

	Mar-21 £'000	Mar-22 £'000	Mar-23 £'000	Mar-24 £'000
Risk Based Reserves	3,985	3,970	3,732	3,582
General Revenue Reserves	3,432	3,056	2,889	2,670
Financial Planning Reserve	1,509	1,486	1,463	1,441
Revenue Earmarked Reserves for Capital Purposes	4,154	2,585	2,211	2,221
Collection Fund Timing Reserve	5,387	3,064	519	-
Total	**18,467**	**14,161**	**10,814**	**9,914**

8.0 Medium Term Financial Strategy (MTFS) Update

8.1. The update provided in this report is in advance of a more comprehensive reset, particularly in the context of the Local Government white paper published on 2 February 2022.

8.2. The key objectives which the MTFS is to support are:

- Balancing the books
- Cutting out waste
- Reviving the local economy
- Restoring civic pride
- Regenerating the Borough
- Investing for the future.

8.3. In delivering on this, the Finance Team, working with the rest of the Council, will:

- Communicate financial information clearly and accessibly
- Deliver a high-quality business partner offering
- Enhance finance information systems
- Provide best possible financial decision making
- Value and empower staff.

8.4. A further review of the MTFP has been undertaken as part of the final stages of the budget setting process. The following assumptions have been used:

- A full reset of Business Rates baselines from 2023/24
- A 1% increase in the Tax base
- Investment income in line with current interest rate forecasts
- Inflation only where contractual, and a 2% pay award per annum
- A significant reduction in New Homes Bonus, pending the release of the consultation

- Phased recovery of income streams from current levels during COVID19
- 2020/21 Collection Fund deficits chargeable to the General Fund over three years, per amended regulations
- The potential deficit is calculated based on a 1.99% Tax increase in future years.

8.5. Based on these assumptions, the table below sets out the potential deficit over the next three years (ongoing savings to be identified and the residual surplus generated in year three, which would be available to support future growth):

	2022/23 £m	2023/24 £m	2024/25 £m
Council Net Expenditure	13.178	14.884	15.550
Funded by			
Net Retained Business Rates	(4.077)	(3.445)	(3.914)
New Homes Bonus	(0.644)	-	-
Other Government Grants	(0.420)	(0.254)	(0.254)
Collection Fund Deficits	1.705	0.412	-
Council Tax Precept	(9.744)	(10.037)	(10.339)
Calculated (Surplus)/Deficit before Savings Plans	**(0.002)**	**1.560**	**1.043**
Savings to be identified as part of the 2023/24 budget process (ongoing basis)	-	(1.560)	(1.560)
Residual (Surplus)/Deficit	**(0.002)**	**-**	**(0.517)**

8.6. There is significant uncertainty over key elements of the Local Government finance picture over the next three years and there are both opportunities and risks for NBCC. In particular, Central Government is likely to make key decisions on the arrangements for the distribution of Business Rates and the "Fair Funding Revenue". Also, the "Levelling Up" agenda is likely to have an impact on Local Government finance policy generally. It would, therefore, be appropriate to fully refresh the Council's MTFS in the light of these factors and the appointment of the new permanent Director of Finance & Enterprise (which was agreed at the Council meeting on 26 January 2022).

9.0 Risk Assessment

9.1. An assessment of the key financial risks facing the Council is important to ensure that the Council's reserves position is adequate and that the budget being proposed is robust. The table in **Appendix F** details the key risks identified and which have been considered when reviewing the level of reserves that are maintained.

10.0 Chief Financial Officer's Section 25 Assurance Statement

10.1. Section 25 of the Local Government Act 2003 places specific responsibilities on the Council's Chief Financial Officer (as defined by Section 151 of the Local Government Act 1972) to report on the robustness of the budget and the adequacy of proposed financial reserves when the Authority is setting its budget for the forthcoming year.

10.2. The proposed NBBC budget for 2022/23 includes best estimates of spend pressures, inflationary pressures, interest rate forecasts, and current trends on demand for services. The latter is kept under review, especially for the income generating services. The estimates also reflect the Local Government Finance Settlement 2022/23 as well as the most up to date forecast of business rates income. Savings have also been assessed to ensure that they are realistic and achievable.

10.3. The budget is balanced and based on a Council Tax of £248.51 at Band D (for the NBBC element of the tax), an increase of 1.99%, which is the minimum prudent level that is recommended for the 2022/23 financial year, given the financial risks to the Council and the level of reserves that have been set.

10.4. To ensure the effective implementation of the budget, the Council will have to ensure the following:

- The delivery of the total value of the savings package contained in this report,
- That if any of the elements of the savings package are not achieved, a new saving will need to be identified and delivered in its place,
- The effective continued management of demands across all Council services,
- Robustness of budgetary control and management of in-year overspends.

10.5. The minimum prudent level of reserves that the Council should maintain includes an assessment of current and future risks that the Council faces. Reserve levels are ultimately the Council's protection against unforeseen or unexpected circumstances and risks. Failure to maintain a minimum prudent level of reserves could lead to the Council being forced to cut spending during the year in an arbitrary way. The proposed levels of reserves are detailed in section 7 of the report.

10.6. Considering the above, together with all the proposals within the budget report, it is the view of the Director of Finance & Enterprise (the Section 151 Officer) that the estimates for 2022/23 are robust and the proposed level of reserves are adequate.

Appendix A

General Fund – Forecast Outturn 2021/22

Portfolio	Current Budget £	Current Forecast £	Forecast Variance £	Key Reasons for Forecast Variance to Budget
Business & Regeneration	1,916,010	1,806,117	(109,893)	(£56k) Carpark service underspend after receipt of (£112k) Covid Grant and an additional £318k budget to fund pricing review. Market (£22k) underspend following higher take up with £175k COVID19 support given to market holders and less lock downs than budgeted. (£27k) net salary savings in economic development due to difficulties recruiting.
Finance & Corporate	3,768,950	4,151,507	382,557	Overspend predominantly due to net cost of rent allowances and rent rebates totalling £419k in part due to homelessness levels remaining high and inability to fully utilise hostel provision due to COVID19 restrictions.
Health & Environment	2,888,080	2,871,537	(16,543)	(£40k) Environmental Health savings created by difficulties recruiting and COMF Grant funding. Partially negated by additional cost of property maintenance in parks and pest control.
Housing & Communities	1,329,900	1,403,179	73,279	No information available for budget monitoring in relation to homelessness, hostels and caravan rental income due to system change. However, have included estimated losses due to COVID19 as restricted occupancy. Additional legal fees in relation to travellers £50k negated by salary savings across private sector housing and community safety.
Planning & Regulation	(942,130)	(545,873)	396,257	Reduced commercial property rental income and increased NNDR due to void properties. Also the low occupancy required by COVID at the hostel properties has reduced lease income by further £149k and an anticipated £45k planning application delayed until 2022/23.
Public Services	8,381,460	8,198,291	(183,169)	Savings primarily due to Civic Hall being used as COVID19 vaccine centre.

Portfolio	Current Budget £	Current Forecast £	Forecast Variance £	Key Reasons for Forecast Variance to Budget
Central Services	0	(91,322)	(91,322)	Savings due to vacancy savings mainly in Finance, Audit and the BI admin team, partly negated by additional Director costs.
Portfolio Total	**17,342,270**	**17,793,436**	**451,166**	
Central Provisions	334,500	334,500	0	
Depreciation & Impairment	(3,096,530)	(3,096,530)	0	
Contributions To/From Reserves	(5,672,515)	(5,688,175)	(15,660)	
Financing of Capital Expenditure	1,594,000	1,594,000	0	
Gains/Losses on Repurchase of Borrowing	21,120	21,120	0	
Investment Income	(100,000)	(337,000)	(237,000)	(£27k) additional investment income (Treasury) + (£60k) interest on loan to Sherbourne Recycling for MRF investment. Additional income due from NABCEL re dividend declared
Minimum Revenue Provision	477,800	483,050	5,250	Marginal overspend due to increase in Capital spend funded by borrowing.
External Interest	468,000	393,000	(75,000)	Maintaining under borrowed position (to be closely monitored to ensure not exposed to high rates in future) plus change in accounting policy to capitalise interest on Town Centre Capital Regeneration Projects.
Total Council Net Expenditure	**11,368,645**	**11,497,401**	**128,756**	
Council Tax	(9,358,518)	(9,358,518)	0	
Revenue Support Grant	0	0	0	

Portfolio	Current Budget £	Current Forecast £	Forecast Variance £	Key Reasons for Forecast Variance to Budget
New Homes Bonus	(851,360)	(851,360)	0	
General Government Grants	(1,467,805)	(1,434,805)	33,000	£33k reduction in COVID sales, Fees & Charges Grant.
Business Rates Retention	(4,712,780)	(4,712,780)	0	
NDR Collection Fund (Surplus)/Deficit	4,960,420	4,960,420	0	
Council Tax Collection Fund (Surplus)/Deficit	57,000	57,000	0	
Total Funding	**(11,373,043)**	**(11,340,043)**	**33,000**	
(Surplus)/Deficit	**(4,398)**	**157,358**	**161,756**	

Appendix B

General Fund Growth 2022/23

	£
Finance & Corporate	
Rent rebates and rent allowances - Increased net subsidy cost	345,070
Rent rebates and rent allowances - Reduced Benefit overpayments recovery due to transfer to Universal Credit	130,780
Corporate Management - Business Modernisation Programme	100,000
Corporate Management - Increased audit fees	33,600
Corporate Management - Increased bank charges	40,700
Corporate Management - Upgrade of external I.T. systems	51,000
Elections - Reduction in Grant	20,000
Elections - Borough Election in 2022/23	58,000
Insurance - Increased cost of insurance contract	62,240
Members expenses – Cost of legal investigations	22,000
Human Resources – Random substance testing of employees	9,000
Finance & Corporate Total	**872,390**
Business & Regeneration	
Promotions - Queen Elizabeth II Jubilee Celebration	20,000
Markets - Part year cost of changes including pricing review	54,000
Economic Development - Regeneration projects additional resources	212,110
Business & Regeneration Total	**286,110**
Public Services	
Domestic Refuse - Additional refuse round due to Borough expansion	129,930
Recycling - Increased contractor cost of kerbside recycling with the Borough expansion	141,400
Parks & Cemeteries – Freeze on charges and potentially reduced income	77,660

General Fund Growth 2022/23

	£
Parks - Increased investment in playgrounds	50,000
Community Recreation - Contract profit share	20,000
Museum - Reduced income from registry office	3,000
Licensing - Reduced income with fall in applications	22,000
Civic Hall - Reduced rental income	2,830
Public Services Total	**446,820**
Housing	
Private Sector Grants - Additional cost	42,090
Housing Total	**42,090**
Health & Environment	
Environmental protection - Increase in Council burials	5,000
Health & Environment Total	**5,000**
Planning & Regulation	
Development & Building Control - Reduced income due to slippage	279,160
Commercial Properties - Reduced rental income	153,400
Car Parks - Reduced income due to Abbey Street development	22,000
Planning & Regulation Total	**454,560**

Total Growth	**2,106,970**

Appendix C

Agreed Savings 2022/23

	£
Finance & Corporate	
NABCEL - Increased income and dividend to NBBC	(41,180)
Revenue & Benefits - Increased support from financial inclusion from the HRA and the utilisation of ring-fenced funding for creation youth project and jobs scheme	(77,600)
Finance & Corporate Total Savings	**(118,780)**
Business & Regeneration	
Bus Station - Bus company fee increase	(5,100)
Car Parks - Change in fees: £1.50 for 3 hours plus additional 50p on 24 hour long stay.	(6,000)
Business & Regeneration Total Savings	**(11,100)**
Public Services	
Civic Hall - To continue as vaccination centre in 2022/23	(200,000)
Community Recreation - Reduction in management fees	(178,000)
Community Recreation - Consultancy and feasibility budget no longer required	(100,000)
Domestic Refuse - Innovation budget used to fund the extra refuse round with the Borough expansion	(70,000)
Public Services Total Savings	**(548,000)**
Health & Environment	
Parks - increased income	(2,500)
Environmental protection - increased income	(1,000)
Health & Environment Total Savings	**(3,500)**

Planning & Regulation	
Development Control - Increased applications	(2,280)
Land Charges - Increased applications	(9,180)
Commercial Properties - Increase in rental portfolio	(60,000)
Planning & Regulation Total Savings	**(71,460)**
Additional Savings	
Staffing Reductions	(50,000)
HRA Contribution to Business Modernisation Programme	(28,000)
Additional Savings Total Savings	**(78,000)**

Total Savings	**(830,840)**

Appendix D

General Fund Budget 2022/23

	Current Budget 2021/22 £	Original Budget 2022/23 £
Business & Regeneration	1,916,010	1,426,800
Finance & Corporate	3,768,950	4,058,860
Health & Environment	2,888,080	3,015,560
Housing & Communities	1,329,900	1,177,030
Planning & Regulation	(942,130)	(391,180)
Public Services	8,381,460	8,103,230
Portfolio Total	**17,342,270**	**17,390,300**
Central Provisions	334,500	334,500
Depreciation and Impairment	(3,096,530)	(3,096,530)
Transfers To/(From) Corporate Reserves	(5,672,515)	(3,243,630)
Financing of Capital Expenditure	1,594,000	1,258,700
PWLB Premiums	21,120	21,120
Interest and Investment Income	(100,000)	(460,000)
Minimum Revenue Provision	477,800	536,000
Debt Interest	468,000	438,000
Total Council Net Expenditure	**11,368,645**	**13,178,460**
Funded by:		
Net Retained Business Rates	(4,712,780)	(4,077,300)

	Current Budget 2021/22	Original Budget 2022/23
NDR Collection Fund (Surplus)/Deficit	4,960,420	1,723,300
Council Tax Collection Fund (Surplus)/Deficit	57,000	(18,010)
New Homes Bonus	(851,360)	(644,430)
Other Government Grants (one-off funding)	(1,467,805)	(420,100)
Transfer to General Fund Reserves	4,398	1,784
COUNCIL TAX REQUIREMENT	**9,358,518**	**9,743,704**

Appendix E

General Fund Capital Programme

	2021/22		2022/23	
	Latest Capital Programme £	Predicted Spend (Updated Capital Programme) £	Amounts to re-profile to 2022/23 £	Project Budget (including re-profiled amounts from 2021/22) £
Business & Regeneration				
Transforming Bedworth	100,000	100,000	-	-
Abbey Street Regeneration (Phase 1)	16,842,500	3,000,000	13,842,500	21,164,430
Abbey Street Regeneration (Phase 2)	-	-	-	16,850,300
Bridge to Living	5,884,700	-	-	7,703,240
Flood Alleviation	607,150	-	-	500,000
Advanced Towns Fund	290,890	322,000	-	-
Christmas Lights	40,000	40,000	-	-
Towns Fund	2,475,000	-	-	-
Getting Britain Building	791,700	791,700	-	-
Replacement CCTV Cameras	9,700	-	9,700	9,700
CCTV Wireless Technology	120,000	100,000	20,000	20,000
CCTV PSN Upgrade	44,410	44,410	-	-
Vicarage Street	-	-	-	500,000
Finance & Corporate				
ICT Strategy Programme	300,000	300,000	-	125,000
Business Continuity	430,000	134,000	-	-
Camp Hill Regeneration Scheme	100,000	100,000	-	-
Housing & Communities				
Purchase of Residential Properties	180,000	180,000	-	-
HEART	7,512,210	5,125,000	-	4,520,000
Empty Homes Works in Default	40,000	-	40,000	40,000
Empty Property Loans	100,000	30,000	70,000	70,000
Mobile Home Sites	105,520	105,520	-	-

	2021/22		2022/23	
	Latest Capital Programme £	Predicted Spend (Updated Capital Programme) £	Amounts to re-profile to 2022/23 £	Project Budget (including re-profiled amounts from 2021/22) £
Green Homes Phase 1	443,100	241,310	-	-
Green Homes Phase 2	314,000	314,000	-	-
Green Homes Phase 3	-	-	-	1,245,000
Conversion of Council House	19,800	19,800	-	-
Homeless Hostel Conversion	200,000	-	200,000	200,000
<u>Public Services</u>				
Major Repairs	210,000	210,000	-	250,000
Vehicle & Plant Replacement	679,410	639,410	40,000	410,000
Sub-Regional Materials Recycling Facility	4,496,000	2,430,344	2,065,656	2,065,656
Leisure Strategy	731,035	731,035	-	-
Bedworth Cycle Hub	308,550	308,550	-	-
Play & Teenage Provision	45,000	45,000	-	-
Bedworth Physical Activity Hub	500,000	278,000	222,000	5,602,000
Nomad Cameras	90,000	90,000	-	-
Fly Tipping Cameras	54,000	54,000	-	-
Pauls Land Pavilion	10,500	-	10,500	10,500
Sandon Park/ Jack Whetstone Pavilion	27,870	-	27,870	27,870
Preliminary Works – Riversley Park Bridge	40,000	-	40,000	40,000
Tennis Courts – Miners Welfare Park	209,770	209,770	-	-
<u>Planning & Regulation</u>				
Town Hall – Fire Safety Works	150,000	60,000	44,000	44,000
				-
<u>Health & Environment</u>				-
Target Hardening Measures	100,000	-	100,000	100,000
Miscellaneous Schemes	-	-	-	100,000
Total Capital Programme	**44,602,815**	**16,003,849**	**16,732,226**	**61,597,696**

	2021/22		2022/23	
	Latest Capital Programme £	Predicted Spend (Updated Capital Programme) £	Amounts to re-profile to 2022/23 £	Project Budget (including re-profiled amounts from 2021/22) £
Financed by:				
Capital Receipts	1,270,890	826,555		500,000
Earmarked Reserves	3,050,390	2,289,567		1,258,700
Grants & External Contributions	19,528,965	10,437,583		24,330,000
Prudential Borrowing	20,752,570	2,450,144		35,508,996
Total	**44,602,815**	**16,003,849**		**61,597,696**

Appendix F

Risks

	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Post-COVID economic downturn affecting income streams and demand for services	Not quantifiable	Regular and effective budget monitoring to identify income shortfalls early. Sufficient reserves maintained	High	High	1% of current income budgets - £130k *(Note: this is based on 2021/22 budgets which still reflect COVID19 impact)*
Business rates income less than forecast due to higher number of appeals, empty properties and liquidations (especially due to COVID19)	Not quantifiable. A provision has already been made in the accounts (£2.7m at the end of March 2021) and an amount of £1m in the budget forecast for 2022/23 for the estimated cost of successful appeals	Business Rates Contingency Reserve is maintained, and additional contributions made where necessary. Regular monitoring of NNDR income throughout the year. Business Rates pool exists across Coventry and Warwickshire to retain and share additional growth. For exceptional losses in NDR due to COVID19, regulations have been amended to allow for the 'exceptional deficit' amount to be spread over three financial years to allow councils sufficient time to cover these losses. This spreads the risk over a few years	High	High	Specific Reserve maintained

	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Increased take-up of Local Council Tax Support	Each 1% take up would cost the Scheme approximately £100k (of which approx. £13k would relate to NBBC)	The Scheme can be reviewed before the start of each year to adjust cost. Draft budget is based on current high caseload due to COVID19	Medium	Medium	Included within COVID Resilience Reserve
Lower Council Tax and Business Rates collection rate than anticipated due to COVID19, economic downturn and Welfare Reform	Each 0.5% reduction in collection rate would reduce income collected for NBBC by around £50k	Close monitoring of collection rates throughout the year. Corporate Debt Policy has been reviewed.	Medium	High	£50k – 0.5% reduction in collection
Income from Fees & Charges not recovering from COVID19 impact as quickly as MTFP has assumed	1% = £97,000 approx.	Income forecasts included in the draft budget are realistic at this time and consider COVID19 impact and anticipated recovery to levels not necessarily at pre-pandemic amounts. Regular and accurate budget monitoring and adequate reserves maintained	High	High	Included in COVID Resilience Reserve
Vacancy Allowance	1.5% = approx. £200k	The target in the draft budget is achievable but will need to be pro-actively managed	Medium	Medium	£200k
Unbudgeted expenditure/ overspend	Difficult to quantify. Gross expenditure is in the region of £60m	Effective and accurate budgetary control to identify variances at an early stage.	Medium	Medium	0.5% of gross expenditure - £290k

	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Inflation higher than budgeted	Various	RPI and CPI are forecast to be high during 2022 before dropping back to target levels. Draft budgets based on experience and information available and higher inflation levels have been applied to high-risk areas, such as fuel	Medium	Low	1% increase in net budget - £140k
Increases in Contract costs at the point of retendering	Not quantified – depends on market conditions	Use of procurement frameworks or collaborative procurement to ensure value for money. Early planning and use of reserves to smooth any fluctuations in cost	Medium	Medium	N/A
Achievement of savings targets	Various and ongoing	The areas to be reviewed have been selected using a few criteria to ensure that the savings are realistic, but each one will need to be carefully managed. Savings targets in recent years and in future years have been up to £2.0m per annum but savings identified early in the budget process which partly mitigates the risk	Medium	Medium	£250k
Third party working arrangements	Not quantified	There are economies and efficiencies to be gained from effective working with other agencies but there may also be financial risks	Low	Low	N/A

	Cost Implications	Mitigation	Impact	Likelihood	Reserve Cover
Increased demand for services because of reductions in spending by other organisations and welfare changes, for example	Not quantifiable	Given the reductions in Government spending and further Welfare Reform changes, this may have a ‘knock on’ impact on General Fund services	Low	Medium	Not quantifiable
Significant uninsured losses	Not quantified	The insurance reserve currently stands at £670k	Low	Medium	Specific reserve cover
Unforeseen emergencies e.g. bad weather	Not quantified	Mitigated by effective business continuity planning	Low	High	
Revenue implications of regeneration projects different to those that have been modelled	Not quantified	Viability model for each project with sensitivity analysis and contingencies included. Specialist external advice taken	Medium	Medium	£250k Transforming Nuneaton Reserve also in place
Total Risk Reserve Cover required					**1.374m**

Nuneaton & Bedworth
United to Achieve

Agenda item: 11e

CABINET

Report Summary Sheet

Date:	**9th February 2022**
Subject:	**Housing Revenue Account Budget and Capital Programme – 2022/23**
Portfolio:	**Finance and Corporate – Cllr S. Croft and Housing and Communities – Cllr C. Golby**
From:	**Director - Finance and Director – Regeneration and Housing**

Summary:

To present the Housing Revenue Account (HRA) budget for 2022/23, including the recommended changes in rents and the options for increases to fees and charges.

The forecast outturn for the HRA for 2021/22 is also included as part of the report, along with the HRA Capital Programme updates for 2021/22 and the proposed capital budget for 2022/23.

Recommendations:

2.1 That the forecast outturn for 2021/22 be noted and revised capital programme for 2021/22 of £21.294m be recommended to Council.

2.2 That the draft HRA Capital programme for 2022/23 of £22.938m be approved and recommended to Council, as shown at Appendix C

2.3 That an increase in HRA dwelling rents for 2022/23 of 4.1% be approved in line with Government policy of CPI + 1%;

2.4 That Homeless Hostel rents be increased for 2022/23 by 4.1% in line with the general dwellings rent increase;

2.5 That an increase of 4.1% for 2022/23 in line with CPI + 1% for other HRA fees and charges as set out in section 4.8 be approved;

2.6 That the 2022/23 draft HRA Revenue budget, including the rent and fee changes above, be recommended to Council for approval;

2.7 That delegated authority be given to the Director – Regeneration and Housing to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the capital programme for the General Fund

2.8 Due to the timescales involved with setting the HRA budget and rents for 2022/23 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.

Options: To accept the recommendations;
To not accept the recommendations and request amendments to the draft budgets.

Reasons: To set a sustainable budget for the HRA for 2022/23 and associated capital programme and to demonstrate long term sustainability through the business plan

Consultation undertaken with Members/Officers/Stakeholders

Portfolio Holder – Housing and Communities
Portfolio Holder – Finance and Corporate

Subject to call-in: No

Corporate Priorities: Theme 1: Priorities 1 and 3
Theme 2: Priorities 1,2 and 3
Theme 3: Priorities 1, 2, 3 and 6

Relevant statutes or policy:
Housing Act 1985
Localism Act 2011
Housing Revenue Account Business Plan 2012 – 2042
Local Government Finance Act 1992 and Local Government Act 2003
Welfare Reform and Work Act
Housing and Planning Act 2016

Equalities Implications: None
Human resources implications: Employee costs are a significant part of the HRA budget and the Management of Change policy will apply to any employees affected by budgetary decisions.
Financial implications: The report outlines the financial position of the HRA for 2021/22 and 2022/23 along with the Capital spend requirements for 2022/23. The HRA business plan identifies the longer-term financial viability of the HRA and although HRA balances increase in the short term, there are significant issues in the medium term and the actions that have been taken and those approved as part of this report will ensure that balances do not fall below the minimum working balance for the full term of the business plan.
Health Inequalities Implications: Homes that are well maintained, safe, warm and affordable are significant contributory factors to improved health and wellbeing.
Section 17 Crime & Disorder Implications: The installation of new doors, windows and where appropriate and door entry systems improves the safety of homes and reduces the risk of theft from the home.
Risk management implications: All budgetary decisions will need to be risk assessed to ensure they are achievable and to be fully aware of any implications.
Environmental implications: The installation of new boilers, windows and doors improves the thermal efficiency of homes and reduces carbon emissions
Legal implications: The Council is required by law to maintain a ring fenced Housing Revenue Account and maintain a minimum operating balance. The budget should be risk assessed and sustainable in the long term.

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AGENDA ITEM NO. 11e

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Cabinet – 9th February 2022**

From: **Director – Finance and Director – Regeneration and Housing**

Subject: **Housing Revenue Account Budget and Capital Programme – 2022/23**

Portfolio: **Finance and Corporate (Cllr S. Croft) and Housing and Communities (Cllr C. Golby)**

Delivering Our Future Themes: 1, 2 & 3

Delivering Our Future Priorities: 1.1, 1.3, 2.1, 2.2, 2.3, 3.1, 3.2, 3.3 & 3.6

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1. Purpose of Report

1.1. To update Cabinet on the 2021/22 forecast outturn for the Housing Revenue Account (HRA) budget.

1.2. To present the proposed 2022/23 Housing Revenue Account revenue budget to Cabinet for approval, prior to submission to Council.

1.3. To present the updated Capital Programme and financing for 2021/22 and 2022/23 for approval prior to submission to Council.

2. Recommendations

2.1 That the forecast outturn for 2021/22 be noted and revised capital programme for 2021/22 of £21.294m be recommended to Council.

2.2 That the draft HRA Capital programme for 2022/23 of £22.938m be approved and recommended to Council, as shown at Appendix C

2.3 That an increase in HRA dwelling rents for 2022/23 of 4.1% be approved in line with Government policy of CPI + 1%;

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2.5 That an increase of 4.1% for 2022/23 in line with CPI + 1% for other HRA fees and charges as set out in section 4.8 be approved;

2.6 That the 2022/23 draft HRA Revenue budget, including the rent and fee changes above, be recommended to Council for approval;

2.7 That delegated authority be given to the Director – Regeneration and Housing to carry out procurement exercises in accordance with the Council's Contract Procedure Rules in order to deliver the capital programme for the General Fund

2.8 Due to the timescales involved with setting the HRA budget and rents for 2022/23 this report not be subject to the call-in procedures as provided for in paragraph 15(f) of the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution.

3. <u>2021/22 Forecast Outturn</u>

3.1 The budget for the Housing Revenue Account Revenue was approved in February 2021 and showed a deficit of £2.700m. The forecast outturn for the year is anticipated to be a deficit of £2.367m, a £333k favourable variance to the original budget.

3.2 The main variances for the year are summarised in the following table:

(£580k)	Salary underspends (net of agency and consultancy) due to vacancies and difficulty in recruiting to key posts.
£250k	Additional spend on contractors within the repairs service to deliver key services to tenants
£55k	Additional cost of materials
£87k	Additional recharges from the General Fund to the HRA on re-assessment of share allocation
(£37k)	Reduced charges for support services due to vacancies (e.g. finance, HR, admin support team)
(£108k)	Net treasury management underspend due delay in timing of new debt to be taken (in part due to capital slippage) and small uplift in investment rates improving interest income
(£333k)	

4 <u>Draft Housing Revenue Account Budget Position 2022/23</u>

4.1 The draft base budget for 2022/23 shows a deficit of £1.286m. A summary of the HRA draft budget is shown at Appendix A. This includes a revenue contribution to capital of £2.297m and implications of borrowing £7.75m to finance a capital programme totalling approximately £23m. Further information on the capital programme is shown at Section 5 and Appendix C.

4.2 On the basis of the estimated outturn for 2021/22 and draft budget for 2022/23, the HRA balance at the end of the 2022/23 will decrease to £2.8m, which is still above the minimum working balance and is used to support the Business Plan over the longer term.

4.4 A robust review of risks facing the HRA, linked to the level of reserves required, is included at section 6 of this report.

4.5 The draft HRA budget for 2022/23 includes the following assumptions:

- Pay award estimated at 2.5% pending conclusion of national pay negotiations
- Price inflation only where unavoidable e.g. utilities and existing contracts
- Other unavoidable cost increases where recent external market forces have placed upward pressure on prices (e.g. cost of materials)
- Employer's superannuation contributions in line with the last triennial valuation
- 1.5% vacancy saving
- Treasury budgets in line with latest interest rate forecasts
- A rent increase based on 4.1% in line with Government policy
- Increased borrowing of £7.75m in 2022/23 to assist in the funding of the capital programme including new build, acquisitions and fire safety works

4.6 It is anticipated that garage rental income will continue to decrease as the numbers are reduced on those sites identified for new build homes. The new build and acquisition programme will mitigate some of the stock lost through Right to Buy.

4.7 Negotiations on the pay offer for 2021/22 are still ongoing through the national negotiation body. A provision for an award has been included within the predicted outturn for 2021/22 with a further award to be made during 2022/23. These assumptions also recognise that in previous pay rounds lower spinal points have received a higher percentage increase.

4.8 Other significant changes included in the draft budget for 2022/23 include:

- An increase of 4.1% on garage rents (based on September CPI plus 1%) is proposed. This will raise the weekly charge by 30p to £7.62.

- An increase in Homeless Hostel rents of 4.1%. This will raise the nightly charge by 1.50p. A large proportion of tenants in the hostel are able to claim Housing Benefit or Universal Credit.

- An increase of 4.1% in other Fees and Charges is proposed. This includes Independent Living charges, Visitor Accommodation for Independent Living, external administration charges and other minor charges. This raises additional income in total of £13k.

5 Housing Revenue Account Capital Programme

5.1 Appendix C details the current capital programme and the forecast outturn for 2021/22. The 2022/23 proposed HRA capital programme is also shown at Appendix C and totals £22.94m and includes slippage re-profiled from 2021/22 including amounts to complete the current phase of the new build programme and Byford Court Rebuild

5.2 The 2021/22 forecast outturn is £21.29m against an approved budget of £27.62m. £5.9m of this predicted £6.3m underspend relates to reprofiling of the new build schemes (including Byford Court Rebuild) into future years following assessment of lead in times, tendering processes and contractor availability.

5.3 The Council has previously successfully applied for Phase 1a of the Green Homes Grant from the Department of Business, Energy and Industrial Strategy (BEIS). The grant is aimed at raising the energy efficiency of low income and low energy performance homes, and an award of £660k for the installation of external wall insulation has been received. Further submissions for funding have been made, however a condition of funding is that the Council is required to match fund on a pound for pound basis. An amount of £2.4m has been included within the capital programme to reflect the amount of funding expected, should the most recent bids be successful.

5.4 External Fire Risk Assessments have been completed in relation to the General Purpose blocks of flats. All identified risks from these assessments and the remaining risks from the Independent Living Schemes have been prioritised and built into an ongoing programme of works. For the year 2022/23, a budget of £2.5m has been set to accommodate the highest priority works.

5.5 Since the introduction of self-financing the capital investment in our stock has increased significantly, in addition to investment in new build properties. There is a capital budget totalling £3.99m in 2022/23 to allow for further new build properties as well as acquisitions of properties on the open market.

5.6 The specific sources of funding for the capital programme for 2022/23 are given in the table below:

	2022/23 £'000
Major Repairs Reserve	8,724
Earmarked Reserves/ Direct revenue financing	2,297
Capital receipts	1,400
Capital Grants Funding	2,767
Borrowing	7,750
Total	**22,938**

5.7 Within the HRA, a reserve has been created to reflect the requirement to replace building components as they wear out; this is called the Major Repairs Reserve (MRR). The business plan established a MRR based on the investment requirements identified via the ongoing stock validation exercises and the funding available, including revenue contributions and capital receipts. Capital receipts arise mainly from “right to buy” sales of Council homes, which have exceeded ours and Government expectations allowing us to retain a higher proportion of the gross receipt. Earmarked reserves are specific reserves that have been set aside to finance projects in future years and direct revenue financing to capital outlay is money taken from the revenue account and used to fund capital works on a direct “pound for pound” basis.

5.8 The Capital Programme each year is determined based on current stock condition information and need. Explanations for the major projects are given below:

- Decent Homes - This budget reflects both the contractual obligation with partner contractors and the need to continue to maintain the decent homes standard and respond to tenant requirements. Works carried out under this budget include kitchen and bathroom upgrades as well as re-wiring to ensure the continued safety of our homes.
- Central Heating Upgrades - This reflects the continuation investment to accelerate the numbers of homes with efficient, cost effective heating systems and to comply with contractual requirements. notwithstanding the development of a new heating strategy.
- District Heating Boilers – The boilers servicing our district heating schemes (largely Independent Living Complexes) require replacement in line with individual dwelling boiler upgrades. This budget represents the continuation of a 6 year programme to carry out replacements / upgrades.
- Fire Safety Works - Whilst the Council does not own any ‘tower blocks’, it continues to be committed to ensuring that its stock meets all fire risk management legislation. As mentioned at 5.4, this budget reflects a significantly increased investment to accelerate works to the on-going fire safety programme, including the prioritisation of all high priority items identified from specialised surveys, and meet all requirements currently being considered following the publication of three White Papers in response to the Hackitt Review, undertaken in response to the Grenfell Tower tragedy.
- New Build and Acquisitions – There continues to be high demand upon our housing stock, partially arising from the increased levels of homelessness. This is exacerbated by the loss of stock from the Right to Buy scheme with stock losses of historically around 50 per year. Additionally, affordable housing stock is being lost via Housing Association accommodation where relevant organisations have instigated the Voluntary Right to Buy (VRTB) scheme. This budget provides for the continuation of new build homes for rent within the HRA, along with the acquisition of existing homes to accelerate the delivery of homes available for those in housing need.
- Aids & Adaptations / Level Access Showers – There continues to be a high demand for disabled adaptations to ensure homes meet the needs of adults and children experiencing disability issues. The

Council is legally required to undertake these adaptations and the budget is set to reflect that current demand.

6 Risk Assessment

6.1 The overall level of reserves held should be linked to the likely financial risks facing the HRA. The level of reserves is reviewed annually for the General Fund and it is important that the risks facing the HRA are considered in the same manner. The following table below identifies the individual risk factors and also demonstrates what reserve should be held to mitigate the risk.

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
The extension of Welfare reform changes, roll-out of full service Universal Credit resulting in rising rent arrears.	Approx 70% of HRA tenants are in receipt of some level of housing benefit. The introduction of direct payments or the restriction of benefits for young people could result in arrears rising significantly.	Close and proactive work with tenants on budgeting and debt advice. The Financial Inclusion team provide a comprehensive debt service and Housing officer's work with tenants to meet demand where possible to move to smaller properties. A review of support and advice given to tenants will be undertaken during 2022/23 to ensure alignment with the requirements of the White Paper and to further increase tenants' capacity to manage finances and reduce levels of rent arrears. Applications for Discretionary housing payments are actively encouraged for any tenant experiencing hardship.	High	Medium	Approx 70% of rental income comes from Housing Benefit – around £16m. A 5% reduction would equate to £800k.Additional Bad Debt Provision has been built into the Business Plan but it is suggested that a risk-based reserve of £600k should be maintained as well. This will need to be kept under constant review.	600
Local economy failing to improve resulting in higher demand for services and increasing rent arrears.	The HRA receives income from tenants and from commercial rents. The level of bad debts could increase if the local economic conditions do not improve	Active marketing of any void commercial properties and development of a council wide economic development strategy. Regular monitoring and reporting of income levels during the year. A review of the current 'difficult to let' properties will be undertaken during 2022/23 and options to deal with these will be identified.	Medium	Medium	Each additional 1% of rent arrears from commercial and non-dwelling properties equates to £40k	80

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
Increased Right to Buys leading to reduced rental income	Increased discounts available on RTB's may encourage greater uptake resulting in rental income loss. Each property generates approximately £4k rental income per annum.	An allowance has been built into the budget to allow for 50 RTB's – this will be kept under review throughout the year and any significant fluctuations in rental income monitored.	Medium	High	Currently forecasting 50 RTB's in the Business Plan. Each additional will result in loss of income of around £4k per year. An extra 10 a year would be £40k. However, each RTB also reduces repairs and maintenance liability, capital costs, and generates a capital receipt that can be used to reduce RCCO or increase investment. Therefore no specific reserve holding is recommended.	N/A

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
Right to buys higher than budgeted, generating excessive 1 for 1 replacement receipts.	Above a certain threshold preset by Government, each right to buy receipt generates a 1 for 1 replacement receipt which is retained to part finance increased social housing provision. However, the retained 1 for 1 receipt only finances 40% of the costs of providing an additional dwelling.	This represents a significant risk as 60% of the costs of providing an additional property must be identified from within existing HRA resources. The 1 for 1 retained replacement receipt must be utilised within 5 years, or it has to be paid back with interest to central Government.	Medium	Medium	No additional reserve is needed as the mitigation is a Capital Programme in place to ensure that spend is achieved within the 5-years.	N/A
Higher void levels reducing rental income	Void turnaround time will be monitored closely to avoid rent loss.	Void loss of £487k has already been built into the budget. Increased focus has been undertaken in this area, with the aim of reducing the void turn-around times and reducing the number of difficult to lets in Independent Living stock.	Medium	Medium	Each 0.5% increase in void levels - £120k	120

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
Unbudgeted expenditure /overspend	Not quantified	Effective and accurate budgetary control to identify variances at an early stage.	Medium	Medium	1% of gross expenditure budget (excl depreciation and debt costs) – approx. £180k	180
Inflation higher than budgeted	Various	Draft budgets based on experience and information available. Only contractual increases have been included in the draft budget.	Medium	Low	Each 1% increase in the pay award - £50k Each 1% in non-pay budgets – £90k This is already included in 1% figure above, so no specific separate reserve cover is needed, as risk would be covered under the minimum working balance.	N/A
Unforeseen emergencies e.g. bad weather, change in Government policy	Not quantified	Mitigated by effective business continuity planning.	Medium	High	GF insurance fund and HRA Minimum working balance	N/A

Risk Area	Cost Implications	Mitigation	Impact	Likely-hood	Reserve cover needed	
						£'000
Pandemic – Risk reserve maintained to respond to any potential future variants or other pandemic		Draft budgets based upon knowledge gathered as have progressed through pandemic. Amounts for provision for bad debts (i.e. non payment of rent) set aside in 2020/21 and held as prudent estimate of potential write offs,	Medium	Medium	Draft budgets take account of known/likely requirements. Risk reserve set to reflect unknowns as we progress through the pandemic.	100
Social Housing White Paper	Increases to specification for Decent Homes works, communal areas and target hardening.	Additional staffing capacity built into base budget – clarity in relation to specific themes within the Paper are yet to be published.	Medium	High	Draft budgets take account of known/likely requirements. Risk reserve set to reflect unknown costs as details of the implications of some sections of the White Paper are yet to be finalised.	200
Total Reserve Cover needed for 'risk management						1,280

6.2 The 2022/23 budget and the Business Plan are based on a number of assumptions, many of which are based on factors outside of our control. The total reserve cover shown in the table above is the amount recommended to be held as a financial planning contingency. This is in addition to the minimum working balance of £1.3m. This means that the HRA must have a total reserve/minimum working balance of £2.6m to ensure it can mitigate the significant risks it faces for the duration of the business plan.

7 HRA Business Plan - update

7.1 Since April 2012, the HRA has been operating under the self-financing system, and the financial plan element of the business plan is updated annually to ensure that it remains viable and is financially sustainable in the longer term. The Business Plan contains a number of mandatory elements to support and demonstrate this including details on the condition of its housing stock and other HRA assets such as garages and shops and the approach to associated investment requirements needed to maintain them. The Plan is also required to set out how future rent changes will be dealt with, as well as identifying areas where efficiency savings may be realised in order to support the future viability of the HRA.

7.2 Acquisitions continue to be an important route to increasing the housing stock, especially given the lack of developable land within the HRA. However, the rise in market sale prices has been detrimental to the acquisitions programme, given that a large number of appropriate properties fail to meet the payback requirement set out within the Development and Acquisitions policy. Analysis work will be undertaken during 2022/23 to reassess the payback period, based upon up to date assessed asset lifetimes. The potential for the acquisition of larger numbers of homes via Section 106 Affordable Housing planning requirements associated with larger scale developments continues to be pursued. It should be noted however that this approach offers another set of barriers, in that most large scale developers have established partnerships with local and regional Registered Providers (formerly known as Housing Associations). It is likely that to break into this approach, we are in direct competition with Registered Providers (RP's) which could impact on cost and ultimately, our ability to match RP offers. That being said, proactive work continues to engage developers in order to identify opportunities at the earliest point, as well as identifying whether changes to approach may be acceptable to increase the Council's ability to acquire stock via the Section 106 process.

7.3 The deliverability of the new build homes via the use of Modern Methods of Construction (MMC) was championed by the Council and Homes England. The Council has successfully obtained funding from Homes England following a number of successful schemes. The Council continues to identify improvement areas in what remains and an immature market. As a result, the Council is constantly testing tendering and partnership approaches to ensure an approach and which will speed up the delivery of MMC homes and the associated groundworks.

7.4 Over the life of the plan it remains affordable to build or acquire approximately 1,300 units (based on current interest and inflation forecasts). However, this does not replace the amounts expected to be sold through Right to Buy totalling 1,500 (50 per annum). This is in part due to an increase in interest rates faster than that assumed in the last business plan, and costs to rejuvenate the independent living schemes to reduce void levels currently experienced.

7.5 There is wide recognition and support for a continued new build and acquisition programme in order to deliver more affordable homes in the borough. Whilst this is a priority requirement, there continue to be issues within the existing stock that must be investigated and addressed as appropriate. There are homes that suffer from poor design and which also require significant ongoing maintenance due to their construction type. The provision for large scale feasibility studies reflects the need to identify any properties or groups of properties that would benefit from re-modelling / regeneration, in order to ensure they deliver fit for purpose dwellings and overall living environments. This is of particular importance for those properties classified as 'difficult to let'. The business plan must continue to provide for a balance between delivering new housing stock and continued investment in existing homes and the surrounding built environment.

7.6 The Plan remains viable over the 30 years and Appendix B shows a graph indicating balances over the life of the current business plan.

7.7 The HRA Business Plan is facing an increasing number of demands, in order to respond to changes in both demand and types of accommodation required, the need to continue to invest in existing housing stock and to understand options for re-development and to meet climate change challenges. The Social Housing White Paper has been published and places significant additional demand upon the HRA. This includes the imminent introduction of a Decent Homes Plus Standard (the detail of which is yet to be advised), the decarbonisation of the housing stock, increased tenant involvement and support services, increased benchmarking, an annual survey of tenants and formal reporting across 22 Tenant Satisfaction Measures. An increased level of funding has been built into the HRA Business Plan, however further financial pressure is expected once all requirements across the White Paper have been published. This has been reflected in the risk matrix at section 6 of the report. Work is currently underway to;

- identify a future heating strategy for both new build and existing housing stock, which will also identify the costs associated with those options identified;
- identify other green energy and climate change initiatives suitable to fit to both existing and new build homes;
- update and maintain stock condition data to inform investment requirements;
- options appraisals are being undertaken to identify regeneration requirements and costs across relevant areas within the HRA stock;

- provision of improved benchmark data and associated analytics;
- review the tenant engagement strategy;
- review staffing provision across the housing management function.

8 Conclusion

8.1 This report presents a sustainable budget and reserves position for 2022/23 and for the life of the Business Plan. The Council plans to use its borrowing flexibility to increase the number of homes added to its stock whilst balancing affordability and investment in existing stock.

8.2 The risks to the HRA are being managed through its risk reserve/minimum working balance of £2.6m which also includes the provision for all the risks identified above. This level of reserves will be reviewed year on year in line with the budget and business planning process, to ensure it remains adequate, and a further update will be included as part of the next Business plan review.

8.3 The 30 year financial plan will continue to be refreshed each year to assess how best the Council can maintain its existing stock and seek to increase new build and acquisitions, whilst still ensuring the viability of the HRA in the long term.

Craig Pugh
Dawn Dawson

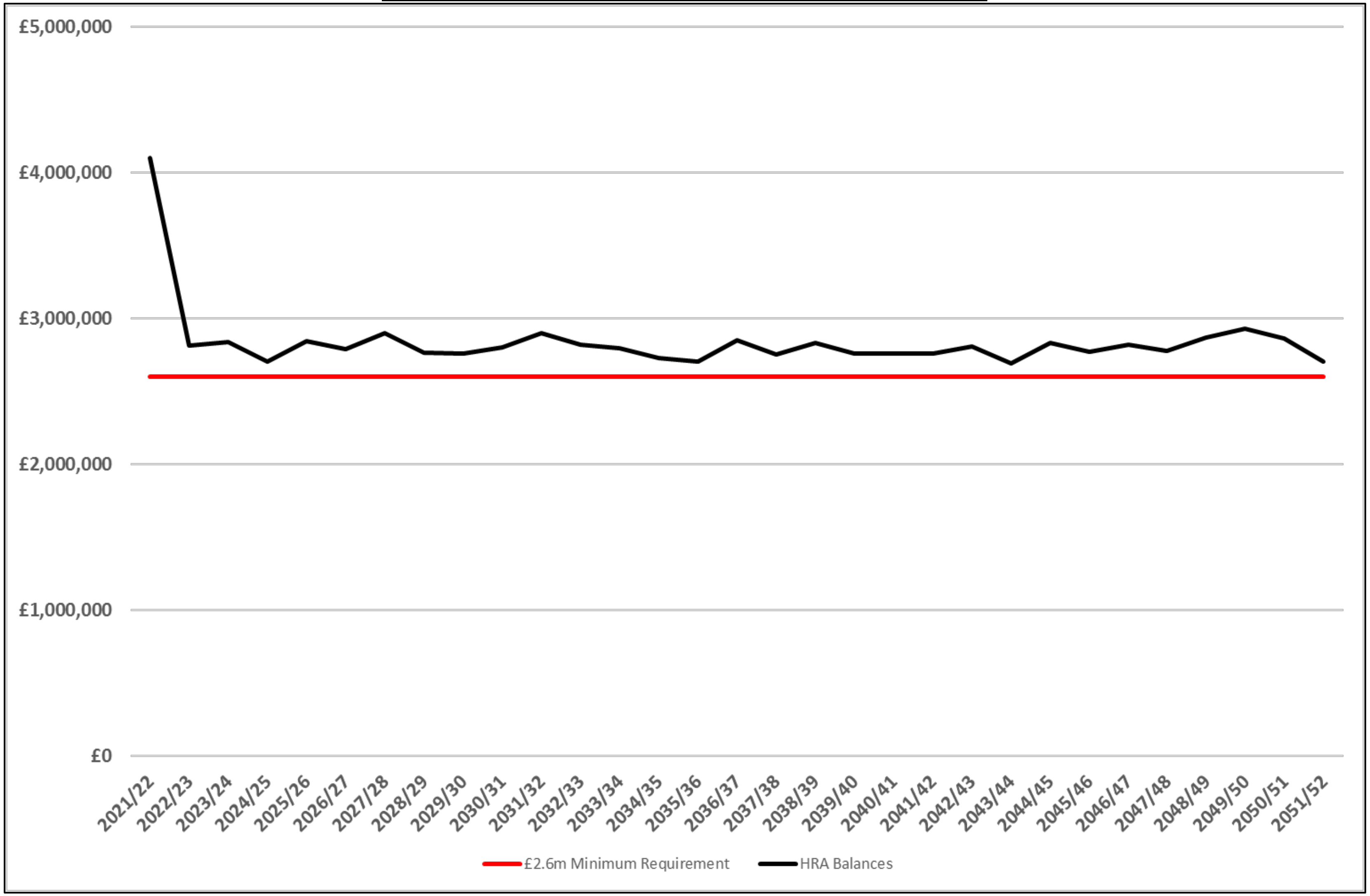
Appendix A

Draft Housing Revenue Account Budget

	ACTUAL 2020/21 £000	CURRENT BUDGET 2021/22 £000	FORECAST OUTTURN 2021/22 £000	PROPOSED BUDGET 2022/23 £000
Balance Brought Forward	**(6,761)**	**(6,472)**	**(6,472)**	**(4,105)**
Income				
Dwelling rents	(23,278)	(23,380)	(23,380)	(24,244)
Non-dwelling rents	(571)	(584)	(584)	(584)
Charges for services and facilities	(2,035)	(2,074)	(2,085)	(2,086)
Interest Receivable	(23)	(7)	(9)	(37)
TOTAL INCOME	**(25,907)**	**(26,045)**	**(26,058)**	**(26,951)**
Expenditure				
Repairs & maintenance	5,178	5,198	5,383	5,581
General management	5,008	5,852	5,502	6,568
Special services	4,284	3,228	3,179	3,397
Capital financing	409	3,700	3,700	2,297
Debt Interest costs	1,937	2,086	1,980	1,945
Depreciation	8,360	8,681	8,681	8,724
TOTAL EXPENDITURE	**25,176**	**28,745**	**28,425**	**28,512**
Adjustments				
Major Repairs Reserve Contributions	1,485	-	-	-
Earmarked Reserves	(465)		-	(275)
TOTAL ADJUSTMENTS	**1,020**	**-**	**-**	**(275)**
(SURPLUS)/ DEFICIT	**289**	**2,700**	**2,367**	**1,286**
Balance Carried Forward	**(6,472)**	**(3,772)**	**(4,105)**	**(2,819)**

Appendix B

HRA 30 year Business Plan – Balances Forecast



Appendix C

Draft HRA Capital Programme

	2021/22 Latest Capital Programme £	2021/22 Predicted Spend (Updated Capital Programme) £	2022/23 Project Budget £
Decent Homes	2,500,000	2,500,000	2,000,000
Roof Coverings/Modifications	1,065,000	1,065,000	750,000
Windows & Doors	953,000	953,000	700,000
Sheltered Alarm Call System	180,000	180,000	0
Door Entry Scheme	215,000	215,000	115,000
New Properties (Construction & acquisition)	11,349,700	5,456,818	3,986,120
Independent Unit Living - Remodelling	0	0	1,000,000
Large Scale Improvement Feasibility	310,000	310,000	250,000
Conversion of Homeless Hostel	50,000	50,000	0
District Heating Works	435,000	0	335,000
Fire Works (General Purpose)	2,760,000	2,760,000	2,500,000
Level Access Showers	482,000	482,000	500,000
Aids & Adaptations	708,000	708,000	650,000
Central Heating	1,037,000	1,037,000	900,000
Slabs to Tarmac	300,000	300,000	100,000
Lift Renewal Works	148,000	148,000	100,000
PIR Electrical Works	482,000	482,000	550,000
Voids	650,000	650,000	550,000
Structural; Concrete Repairs/ Cladding	3,057,600	3,057,600	4,900,000
Environmental Works	260,000	260,000	170,000
Housing Management System	100,000	100,000	300,000
CCTV Renewal - GP Flats	50,000	50,000	50,000
Fire Damage Works	60,000	60,000	0
UAMPS	0	0	60,000
Garages	0	0	50,000
Replacement Vehicles	0	0	1,750,000
Contingency	193,000	119,430	100,000
Capital Salaries/ Fees	276,430	350,000	572,000
Total Capital Programme	**27,621,730**	**21,293,848**	**22,938,120**
Financed by:			
Major Repairs Reserve	9,543,000	10,292,000	8,724,000

	2021/22		2022/23
	Latest Capital Programme	Predicted Spend (Updated Capital Programme)	Project Budget
	£	£	£
Earmarked Reserves/ Revenue	3,938,144	3,699,630	2,296,620
Capital Receipts	2,381,827	2,381,820	1,400,000
Capital Grants/ Contributions	2,644,100	564,600	2,767,500
Borrowing	9,114,659	4,355,798	7,750,000
Total	**27,621,730**	**21,293,848**	**22,938,120**

Nuneaton & Bedworth
United to Achieve

Agenda item: 11g

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date:	**9th February 2022**
Subject:	**Treasury Strategy & Budgetary Framework 2022/23**
Portfolio:	**Finance & Corporate**
From:	**Interim Director Finance & Enterprise**

Summary:

The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

Recommendations:

That the proposed Treasury Strategy and Budgetary Framework 2022/23, as detailed in **Appendix G**, be agreed and submitted to full Council for approval including:

- Treasury strategy
- Treasury and Prudential Indicators
- MRP Policy Statement
- Capital Resource Allocations

Options:

To accept the report or request further information, having regard to the legal deadlines for setting of budgets.

Reasons:

To comply with regulations and the CIPFA Code of Treasury Management.

Consultation undertaken with Members/Officers/Stakeholders

None

Subject to call-in:	No
Ward relevance:	All
Forward plan:	Yes

Corporate Priorities:	Theme 3: Priorities 1, 2 and 3

Relevant statutes or policy:

CIPFA Code of Practice on Treasury Management 2017

Local Government Act 2003

Equalities Implications:

None

Human resources implications:

None

Financial implications:

As detailed within the report.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

Any investment and borrowing decisions will be based on the approved strategy and with approved counterparties.

Environmental implications:

None

Legal implications:

The CIPFA Code on Treasury Management requires Local Authorities to report to their full Council a forward view of treasury and prudential indicators and an MRP policy statement for approval.

Contact details:

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AGENDA ITEM NO. 11g

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to :	**Cabinet – 9th February 2022**
From :	**Interim Director – Finance and Enterprise**
Subject :	**Treasury Strategy & Budgetary Framework 2022/23**
Portfolio :	**Finance & Corporate (Cllr S Croft)**
Delivering Our Future	**Theme 3 Priorities 1, 2 and 3**

1. Purpose

1.1 The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

2. Recommendations

2.1 That the proposed Treasury Strategy and Budgetary Framework 2022/23, as detailed in **Appendix G**, be agreed and submitted to full Council for approval including:

- Treasury strategy
- Treasury and Prudential Indicators
- MRP Policy Statement
- Capital Resource Allocations

2.2 That as the recommendations from this report require Council approval on the 14th February 2022, this report be marked not for call-in on the grounds of urgency.

3. Introduction

3.1 **Background**

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

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

3.3 CIPFA defines treasury management as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

3.4 **Reporting requirements**

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Cabinet.

3.5 The three main reports are:

- **Prudential and Treasury Indicators and Treasury Strategy** (This report) - The first, and most important report covers:
  - the capital plans (including prudential indicators);
  - a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
  - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  - an investment strategy (the parameters on how investments are to be managed).

- **A Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

- **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.6 In addition to the three main reports, the Audit & Standards Committee receive regular reports providing information on any treasury activity undertaken, the debt and investment position, performance monitoring information and predicted outturns of key prudential indicators, debt costs and investment income.

3.7 On 20th December 2021 CIPFA published revised Treasury Management Code and Prudential Code which includes changes which will impact on future strategy reports. Formal adoption is not required until 2023/24 financial year and the Council will have to have regard to these code changes when preparing it's strategy for that financial year.

3.8 The revised code will have the following implications:

- A requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- Clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- Require implementation of a policy to review commercial property, with a view to divest where appropriate;
- Create new Investment Practices to manage risks associated with non-treasury investments
- Ensure that any long term treasury investment is supported by a business model;
- A requirement to effectively manage liquidity and longer term cash flow requirements;
- Amendment to the knowledge and skills register for individuals involved in the treasury management function – to be proportionate to the size and complexity of the treasury management conducted by each Council;
- A new requirement to clarify reporting requirements for service and commercial investment.

3.9 **Treasury Management Strategy for 2022/23.**

The strategy for 2022/23 covers two main areas:

- **Capital Issues**
  - The capital plans and the prudential indicators;
  - The Minimum Revenue Provision (MRP) strategy.
- **Treasury Management Issues**
  - The current treasury position;

- Treasury indicators which will limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy;
- The policy on the use of external service providers.

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

3.11 **Training**

The training needs of treasury management officers are periodically reviewed with our treasury advisors providing courses on changes to the Code and refresher updates for key staff. These courses are included within the contract provisions with Link Asset Services.

3.12 **Treasury Management Consultants**

The Council uses Link Asset Services as its external treasury management advisors and recognises that responsibility for treasury management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

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

4. The Capital Prudential Indicators 2022/23 – 2024/25

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

4.2 **Capital Expenditure.**

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which includes the latest budget re-profiling estimates into 2022/23 for schemes slipping from 2021/22:

Capital Expenditure	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Business & Regeneration	1.19	4.40	46.74	23.52	3.82
Finance & Corporate	1.49	0.53	0.13	0.13	0.13
Health & Environment	-	-	0.10	-	-
Housing & Communtiies	6.94	6.02	6.08	4.65	4.65
Planning & Regulation	-	0.06	0.04	-	-
Public Services	0.91	4.99	8.41	0.48	0.37
Misc Schemes	-	-	0.10	-	-
Total Non-HRA	**10.53**	**16.00**	**61.60**	**28.78**	**8.97**
HRA Capital Programme	15.13	21.29	22.94	19.73	22.29
Total HRA	**15.13**	**21.29**	**22.94**	**19.73**	**22.29**
Grand Total	**25.66**	**37.29**	**84.54**	**48.51**	**31.26**

4.3 Full details of the proposed capital programmes for 2022/23 are included within the General Fund and HRA Budget setting reports on this agenda.

4.4 The table below summarises how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing):

Financing of Capital Expenditure	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Capital Receipts	1.92	3.20	1.90	1.43	1.48
Capital Grants	6.41	11.00	27.10	6.50	6.24
Capital Reserves/ Revenue	15.64	16.28	12.28	10.34	11.22
Net financing need for the year	**1.69**	**6.81**	**43.26**	**30.24**	**12.32**
Analysed as:					
Non-HRA	*0.89*	*2.45*	*35.51*	*22.99*	*3.82*
HRA	*0.80*	*4.36*	*7.75*	*7.25*	*8.50*

4.5 **The Council's Borrowing Need (the Capital Financing Requirement).** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been financed, will increase the CFR.

4.6 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

4.7 The CFR also includes any other long term liabilities (e.g. finance leases and Private Finance Initiative (PFI) schemes). Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council does not envisage any such schemes within the CFR.

4.8 The Council is asked to approve the CFR projections below:

Capital Expenditure	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Capital Financing Requirement					
CFR - non housing	14.96	16.93	51.90	74.29	77.41
CFR - housing	79.11	83.47	91.22	98.47	106.97
Total CFR	**94.07**	**100.40**	**143.12**	**172.76**	**184.38**
Movement in CFR	*1.26*	*6.33*	*42.72*	*29.64*	*11.62*
Movement in CFR represented by:					
Net financing need for the year (from prev table)	1.69	6.81	43.26	30.24	12.32
GF - Minimum Revenue Provision	(0.43)	(0.48)	(0.54)	(0.60)	(0.70)
Movement in CFR	**1.26**	**6.33**	**42.72**	**29.64**	**11.62**

4.9 The above table demonstrates that the CFR for both housing and non housing are set to increase quite substantially over the period. For the non-housing CFR, this is due to investment in town centre regeneration (although future years is only provisional and subject to future viability assessments and approvals). The HRA CFR is projected to increase due to large investment in creation of new dwellings within the HRA.

4.10 **Minimum Revenue Provision (MRP) Policy Statement.**

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although is it allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

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

4.12 **Core Funds and Expected Investment Balances.**

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

Year End Resources	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Fund balances/ reserves	24.56	21.51	18.30	17.83	16.60
Other Resources	16.29	15.89	18.23	17.53	16.53
Total core funds	**40.85**	**37.40**	**36.53**	**35.36**	**33.13**
Working capital *	7.75	12.29	12.38	9.69	11.54
Over/ (Under) borrowing	(21.36)	(19.69)	(20.91)	(18.05)	(19.67)
Expected investments	**27.24**	**30.00**	**28.00**	**27.00**	**25.00**

4.13 Investment balances are forecast to decrease over the medium term as we continue to remain in an under-borrowed position and earmarked reserves are forecast to be used to support the capital programme.

4.14 **Affordability Prudential Indicators.**

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

4.15 Ratio of financing costs to net revenue stream: This indicator identified the trend of cost of capital (borrowing and other long term obligation costs net of investment income) against the revenue stream:

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	4.4%	4.9%	4.1%	3.5%	3.9%
HRA	8.0%	8.4%	7.9%	8.1%	8.1%

4.16 **HRA Ratios**

As part of the self-financing regime it is considered best practice to include indicators to reflect the level of debt that the HRA holds and compare to its revenues and number of dwellings held. The following table provides this information as at the end of each financial year.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA Debt	£79.11m	£83.47m	£91.22m	£98.47m	£106.97m
HRA Revenues (rent income)	£23.28m	£23.38m	£24.24m	£24.80m	£26.02m
Ratio of debt to revenues	340%	357%	376%	397%	411%
Number of dwellings (avg)	5,705	5,679	5,623	5,581	5,569
Debt per dwelling	£13,867	£14,699	£16,223	£17,645	£19,210

5. Borrowing.

5.1 The capital expenditure plans set out in section 4.2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/ prudential indicators, the current and projected debt positions and the annual investment strategy.

5.2 **Current portfolio position.**
The overall treasury management portfolio as at 31st March 2021 and the position as at the end of December 2021 are shown below for both borrowing and investments:

	31-Mar-21		31-Dec-21	
	Principal Amount £000	Average Rate £000	Principal Amount £000	Average Rate £000
Investments placed for less than 1 year				
Fixed Rate:				
Fixed Term Deposit (365 days or less)	6,000	0.13%	16,000	0.14%
Certificates of Deposit (365 days or less)	3,000	0.26%	10,000	0.34%
Total Fixed Rate	**9,000**	**0.17%**	**26,000**	**0.22%**
Variable Rate Deposits				
Notice Account	8,000	0.58%	8,000	0.58%
MMFs/ Bank	8,238	0.02%	15,638	0.07%
Total Variable Rate	**16,238**	**0.30%**	**23,638**	**0.24%**
Total Investments placed for less than 1 year	**25,238**	**0.25%**	**49,638**	**0.23%**
Investments placed for more than 1 year				
Fixed Term Deposit (more than 1 year)	0	0.00%	0	0.00%
Property Fund	2,000	4.42%	2,000	3.61%
Total Investments placed for more than 1 year	**2,000**	**4.42%**	**2,000**	**3.61%**
Total Managed Investments	**27,238**	**0.56%**	**51,638**	**0.36%**
Borrowing				
General Fund:				
PWLB	6,750	4.61%	6,750	4.61%
Market	2,000	4.10%	2,000	4.61%
Total General Fund	**8,750**	**4.49%**	**8,750**	**4.61%**
Housing Revenue Account:				
PWLB	63,955	2.99%	63,955	2.99%
Total Housing Revenue Account	**63,955**	**2.99%**	**63,955**	**2.99%**
Total Borrowing	**72,705**	**3.17%**	**72,705**	**3.18%**
Net Debt	**45,467**		**21,067**	

5.3 As at the end of December, investment balances were significantly higher than those held at the end of March. This is due to cash flow timings and it is predicted that investment balances will drop to approximately £30m by the end of the financial year as Council Tax and NDR income from direct debits reduces in February and March and a large payment to Central Government in relation to NDR reconciliations of £7m is to be made before the end of the financial year.

5.4 Investments placed are made up from a number of cash resources and are not readily available to service day to day spend. These include, General Fund and HRA Balances, capital receipts, specific grants and contributions (e.g. S106, HEART) and earmarked reserves held for specific purposes (e.g. business rates volatility, future capital spend, risk management). Investment balances can vary significantly throughout the year due to cash flow timings. An example of this would be Council Tax direct debits being received over 10 months commencing April, whereas salary payments are paid over 12 months.

5.5 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
External Debt					
Debt at 1 April	77.21	72.71	80.71	122.21	154.71
Debt Maturities	(4.50)	-	(8.50)	(7.50)	(10.00)
New Debt Taken	-	8.00	50.00	40.00	20.00
Debt at 31 March	**72.71**	**80.71**	**122.21**	**154.71**	**164.71**
The Capital Financing Requirement	94.07	100.40	143.12	172.76	184.38
Over / (Under) Borrowing	(21.36)	(19.69)	(20.91)	(18.05)	(19.67)

5.6 Latest cash flow forecasts and interest rate predictions indicate that it is affordable in the short term to maintain the Council's under-borrowed position. This position will be closely monitored throughout the year to ensure that the Council is not exposed to financial risks (i.e. re-financing and interest rate risks)

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

5.8 The Interim Director for Finance & Enterprise reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

6. Treasury Indicators: Limits to Borrowing Activity

6.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be higher or lower depending on the levels of actual debt.

Operational Boundary	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt	100.40	141.12	170.76	182.38
Other long term liabilities	-	2.00	2.00	2.00
Total	**100.40**	**143.12**	**172.76**	**184.38**

6.2 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be affordable in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

- The Council is asked to approve the following Authorised Limit:

Authorised Limit	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt (CFR)	100.40	141.12	170.76	182.38
Contingency (emergency cashflow borrowing/ borrowing in advance of need)	10.00	15.00	18.00	19.00
Other long term liabilities	4.00	4.00	4.00	4.00
Total	**114.40**	**160.12**	**192.76**	**205.38**

7. Prospects for Interest Rates.

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

	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2022	0.50%	0.50%	0.70%	1.50%	1.90%	1.70%
June 2022	0.50%	0.50%	0.70%	1.50%	2.00%	1.80%
September 2022	0.50%	0.50%	0.70%	1.60%	2.10%	1.90%
December 2022	0.50%	0.60%	0.80%	1.60%	2.10%	1.90%
March 2023	0.75%	0.70%	0.90%	1.70%	2.20%	2.00%
June 2023	0.75%	0.80%	1.00%	1.80%	2.20%	2.00%
September 2023	0.75%	0.90%	1.10%	1.80%	2.20%	2.00%
December 2023	0.75%	0.90%	1.10%	1.80%	2.30%	2.10%
March 2024	1.00%	1.00%	1.20%	1.90%	2.30%	2.10%
June 2024	1.00%	1.00%	1.20%	1.90%	2.40%	2.20%
September 2024	1.00%	1.00%	1.20%	1.90%	2.40%	2.20%
December 2024	1.00%	1.00%	1.20%	2.00%	2.50%	2.30%
March 2025	1.25%	1.00%	1.20%	2.00%	2.50%	2.30%

7.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and by a further 0.25% to 0.50% in February 2022.

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

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

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

8. The Borrowing Strategy.

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

8.2 Against this background and risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director for Finance and Enterprise with the Head of Financial Services will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase or risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates or a

sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

8.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

8.4 The overall debt strategy for 2022/23 is to monitor the existing under-borrowed position and replace, in-part with new debt at the most advantageous time (i.e. minimal cost of carry implications in the medium term) should forecasts indicate a rapid increase in borrowing costs.

8.5 Furthermore, the large increase in borrowing need for both the General Fund and the HRA will require debt to be taken from either PWLB or other markets to fund the significant investment the Council is proposing to regenerate the borough and build new properties.

8.6 **Other sources of funding:** Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

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

8.7 **Maturity Structure of Borrowing –** These gross limits are set to reduce the Council's exposure to large fixed rate sums falling sure for refinancing, and are required for upper and lower limits.

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

Maturity Structure of fixed interest rate borrowing as at end of 2022/23			
		Lower	Upper
Under 12 months		0%	30%
12 months to 2 years		0%	35%
2 years to 5 years		0%	50%
5 years to 10 years		0%	75%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%

9. Policy on Borrowing in Advance of Need.

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

9.2 Any borrowing in advance will be made within the following constraints that the Council would not look to borrow more than 2 years in advance of need and be limited to the expected increase in borrowing need for that period.

9.3 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

10. Debt Rescheduling.

10.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position, the recent increase in the cost of borrowing at the PWLB and the size of the cost of debt repayment (premiums incurred).

10.2 The reasons for any rescheduling to take place will include:
- The generation of cash savings and/ or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhance the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).

10.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

10.4 Any rescheduling will be reported to the Audit and Standards Committee as part of the monitoring reports and to the Cabinet and Council as part of either the mid-year review or annual treasury outturn reports.

11. Annual Investment Strategy

11.1 Investment Policy

The DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This annual investment strategy deals solely with financial investments (as managed by the treasury team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

11.2 The Council’s investment policy has regard to the DLUHC Guidance on Local Government Investments (“the Guidance”) and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the CIPFA TM Code”). The Council’s investment priorities will be security first, liquidity second, then return.

11.3 In accordance with guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council applies a minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

11.4 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector and both a micro and macro basis and in relation to economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets and to this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

11.5 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

11.6 Investment instruments identified for use in the financial year are listed in **Appendix C** under the ‘specified’ and ‘non-specified’ investments categories.

12. Creditworthiness Policy

12.1 This Council continues to apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warnings of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

12.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments.

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

12.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

12.5 The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

12.6 Therefore, based on the above information, the approved counterparty list will be amended immediately upon receipt of rating change notifications and will be completely refreshed weekly.

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

12.8 All investments will be denominated in sterling.

12.9 **Country Limits.**

The Council has determined that it will only use approved counterparties from countries from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this criteria as at December 2021 are shown in **Appendix D**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

12.10 Ethical factors will be taken into consideration before a country is included within the final approved counterparty list.

12.11 Investments in non-UK banks or institutions that meet the criteria above will be limited to £6m in any one country within an overall maximum of £8m of the investment portfolio.

13. Investment Strategy

13.1 Investments will be made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates. (i.e. rates for investments up to 12 months).

13.2 The budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

- 2022/23 0.50%
- 2023/24 0.75%
- 2024/25 1.00%
- 2025/26 1.25%
- Later years 2.00%

13.3 **Investment treasury indicator and limit –** total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year end.

13.4 The Council is asked to approve to approve the treasury indicator and limit:

Maximum principal sums invested > 365 days	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for more than 365 days	£7.00m	£7.00m	£6.00m

13.5 The maximum sums invested for more than 365 days would include fixed term deposits, balances held in a property fund and bonds. This indicator is a limit and not a firm expectation of balances that will be placed for more than 365 days. Long term deposits will only be placed after reference to our lending criteria, counterparty quality, cash flow forecasts and interest rate forecasts.

13.6 The indicator is forecast to drop across the three year cycle due to reducing investment balances forecast.

13.7 For its cash flow generated balances, the Council will seek to utilise its business account, notice accounts, money market funds and short dated deposits in order to benefit from the compounding of interest.

14. End of year investment report

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

15. Scheme of delegation.

15.1 There was a requirement of the 2009 Guidance notes to report to Council a scheme of delegation. Although this requirement does not appear within the 2017 revision it is still considered best practice to report this. Therefore **Appendix E** of this report details the scheme of delegation proposed for this Council.

16. Role of the Section 151 Officer.

16.1 **Appendix F** gives details of the Treasury Management role of the Section 151.

17. Conclusion

17.1 The Head of Financial Services, with the support of the Treasury Management section and Link Asset Services, will monitor economies in the UK and overseas, regularly review the debt portfolio and the creditworthiness of individual institutions, utilising a methodology which does not rely solely on credit ratings to ensure that any investments made are with countries and institutions that are deemed of high credit quality to reduce the risk of loss of principal invested.

APPENDICES

A. **MRP strategy**

B. **Prudential and Treasury Indicators**

C. **Treasury Management Practices (TMP1) – Credit and Counterparty Risk Management**

D. **Countries credit ratings for investments**

E. **Treasury management scheme of delegation**

F. **The Treasury Management Role of the Section 151 Officer**

G. **Treasury Strategy and Budgetary Framework 2022/23**

APPENDIX A – Agenda Item

Minimum Revenue Provision – an introduction

What is a Minimum Revenue Provision?

Capital expenditure is generally expenditure on assets which have a life of more than one year e.g. buildings, vehicles, machinery etc. Where this expenditure is financed by borrowing it would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred. Therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined under Guidance.

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

MINIMUM REVENUE PROVISION POLICY STATEMENT 2022/23

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

The MRP Policy Statement for 2022/23 is:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will follow existing practice outlined in former MHCLG regulations.

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

- From 1st April 2008 for all unsupported borrowing (including PFI and finance leases), MRP will be based on the estimated life of the assets once operational, in accordance with proposed regulations. Therefore, no MRP will be charged to the General Fund for capital expenditure funded through unsupported borrowing until the year following the asset becoming operational.

- The annuity method will be utilised for calculation of the MRP amount and will reference the appropriate PWLB rate at 31st March.

  This option provides for a reduction in the borrowing need over approximately the assets life.

- No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect.

- Repayments included in finance leases are applied as MRP.

MRP Overpayments – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up to 31 March 2022, the total VRP overpayments for the General Fund was nil.

APPENDIX B – Agenda Item

PRUDENTIAL AND TREASURY INDICATORS

Prudential indicators	2020/21 Actual	2021/22 Estimated Out-turn	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Expenditure					
Non - HRA	£10.53m	£16.00m	£61.60m	£28.78m	£8.97m
HRA	£15.13m	£21.29m	£22.94m	£19.73m	£22.29m
TOTAL	£25.66m	£37.29m	£84.54m	£48.51m	£31.26m
Ratio of financing costs to net revenue stream					
Non - HRA (total)	4.4%	4.9%	4.1%	3.5%	3.9%
HRA	8.0%	8.4%	7.9%	8.1%	8.1%
Prudential Borrowing Requirement					
Non - HRA	£0.89m	£2.45m	£35.51m	£22.99m	£3.82m
HRA	£0.80m	£4.36m	£7.75m	£7.25m	£8.50m
TOTAL	£1.69m	£6.81m	£43.26m	£30.24m	£12.32m
Capital Financing Requirement as at 31 March					
Non - HRA	£14.96m	£16.93m	£51.90m	£74.29m	£77.41m
HRA	£79.11m	£83.47m	£91.22m	£98.47m	£106.97m
TOTAL	£94.07m	£100.40m	£143.12m	£172.76m	£184.38m

Treasury management indicators	2020/21 Actual	2021/22 Revised Indicators	2022/23 Proposed Indicators	2023/24 Proposed Indicators	2024/25 Proposed Indicators
Authorised Limit for external debt -					
borrowing	Maximum Debt for year = £77.21m	£110.40m	£156.12m	£188.76m	£201.38m
other long term liabilities		£4.00m	£4.00m	£4.00m	£4.00m
TOTAL		£114.40m	£160.12m	£192.76m	£205.38m
Operational Boundary for external debt -					
borrowing		£100.40m	£141.12m	£170.76m	£182.38m
other long term liabilities		£0.00m	£2.00m	£2.00m	£2.00m
TOTAL		£100.40m	£143.12m	£172.76m	£184.38m
Gross External Debt at 31 March	£72.71m	£80.71m	£122.21m	£154.71m	£164.71m
Upper limit for total principal sums invested for over 365 days	Actual Max £2m	£10.00m	£7.00m	£7.00m	£6.00m

Maturity structure of fixed rate borrowing 2022/23	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months to 2 years	35%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
20 years to 30 years	100%	0%
30 years to 40 years	100%	0%
40 years to 50 years	100%	0%

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments: All such investments will be sterling denominated with maturities up to a maximum of 1 year and meeting the minimum ‘high’ rating criteria where applicable. (This will include the UK and all other countries that meet the minimum investment rating specification)

Non-Specified Investments: These are any investments which do not meet the Specified Investment criteria. A maximum of £10m will be held in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments:

	Minimum Credit Criteria / Link Asset Services Colour Band	**Maximum Maturity Period**	**Max % of Total Investments / £ Limit per Institution or Fund**
DMADF – UK Government	n/a	6 months	100%
UK Government Gilts	UK Sovereign Rating	1 year *	100%
UK Government Treasury Bills	UK Sovereign Rating	1 year	100%
Bonds issued by Multilateral Development Banks	AAA	12 months	£8m
Money Market Funds CNAV	AAA	Liquid	£8m
Money Market Funds LVNAV	AAA	Liquid	£8m
Money Market Funds VNAV	AAA	Liquid	£8m
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	Liquid	£8m
Ultra-Short Dated Bond Funds with a credit score of 1.50	AAA	Liquid	£8m
UK Local Authorities	n/a	1 year *	100%
Term deposits, notice accounts or instant access cash accounts with Banks & Building Societies	Yellow Purple Blue Orange Red Green	1 year * 1 year * 1 year 1 year 6 months 100 days	£10m £10m £10m £10m £8m £8m
Gilt Funds	UK Sovereign Rating	Liquid	100%

	Minimum Credit Criteria / Link Asset Services Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution or Fund
Certificates of Deposit or Corporate Bonds with Banks & Building Societies	Yellow Purple Blue Orange Red Green	1 year * 1 year * 1 year 1 year 6 months 100 days	£10m £10m £10m £10m £8m £8m
Corporate Bonds	A	1 year *	£3m
Covered Bonds	Initial Rating AAA (minimum subsequent rating A)	1 year *	£3m
Housing Associations	Yellow Purple Blue Orange Red Green	1 year * 1 year * 1 year 1 year 6 months 100 days	£10m £10m £10m £10m £8m £8m

** Deposits are allowable for periods of greater than 1 year but will fall within the Non Specified Investments category as detailed below.*

Non Specified Investments:

	Minimum Credit Criteria / Link Asset Services Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution or Fund
Council's own banker *(should their credit rating not meet the criteria for specified investments)*	No colour	Liquid	£2m
Term deposits with Banks & Building Societies	Yellow Purple	5 years 2 years	£10m £10m
Certificates of Deposit or Corporate Bonds with Banks & Building Societies	Yellow Purple	5 years 2 years	£10m £10m
UK Government Gilts	UK Sovereign Rating	5 years	100%
UK Local Authorities	n/a	5 years	100%
Gilt Funds	UK Sovereign Rating	5 years	100%
Corporate Bonds/ Floating Rate Notes	A	2 years	£4m
Covered Bonds/ Covered Floating Rate Notes	Initial Rating AAA (minimum subsequent rating A)	5 years	£4m
Property Funds			£5m
Housing Associations	Yellow Purple	5 years 2 years	£4m £4m

Accounting treatment of investments: The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Financial Group Limits: In addition to the institution limits set above for banks and building societies, an additional limit of £12m per banking group is set.

Countries Credit Rates for Investments as at end December 2021

(Based on lowest rating from Fitch, Moody's and S&P and also have banks operating in sterling markets (except Hong Kong, Norway & Luxembourg at time of writing) and have a green or higher credit rating assessment).

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

Note: Other ethical factors will be taken into consideration before a country is included in the Council's final counterparty list.

Treasury Management Scheme of Delegation

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual strategy.
- Budget approval.

(ii) Body with responsibility for scrutiny - Cabinet

- Approval of/ amendments to the treasury management policy statement and treasury management practices.
- Budget consideration.
- Approval of division of responsibilities.
- Receiving and reviewing reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Body with responsibility for receiving monitoring reports - Audit and Standards Committee

- Reviewing the quarterly treasury activity reports.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer – Director for Finance and Enterprise

- Recommending clauses, treasury management policy/ practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council.
- Ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- Provision to members of a schedule of non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out.

Treasury Strategy & Budgetary Framework 2022/23

a) Cabinet be delegated to increase the approved revenue budgets for the General Fund and the Housing Revenue Account for 2022/23 subject to the minimum working balances of £1m and £1.3m respectively being maintained and having regard to the reserves risk assessment included within the budget report.

b) Capital resources of £61.60m and £22.94m be approved for the General Fund and the Housing Revenue Account respectively (which includes the latest estimate of re-profiled expenditure from 2021/22).

c) Any unused capital allocation from 2021/22 as at 31st March 2022, and still required, be carried forward into 2022/23 and added to the capital budgets.

d) The Minimum Revenue Provision (MRP) Policy Statement (Appendix A to the 9th February 2022 Cabinet report) be adopted.

e) The Prudential and Treasury Indicators (Appendix B to the 9th February 2022 Cabinet report) be adopted.

f) The Treasury Management Strategy (as detailed in the 9th February 2022 Cabinet report) including the borrowing and investment strategies for 2022/23 be adopted.

Nuneaton & Bedworth
United to Achieve

Agenda item:12

COUNCIL

Report Summary Sheet

Date:	**14 February 2022**
Subject:	**Audit Appointment 2023/24 to 2027/28**
Portfolio:	**Finance and Corporate (Councillor S Croft)**
From:	**Interim Director of Finance and Enterprise**

Summary:

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 to 2027/28.

Recommendations:

That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Subject to call-in:	No
Forward plan:	No

Relevant statutes or policy:

- The Local Audit (Appointing Person) Regulations 2015
- Local Audit and Accountability Act 2014
- Local Government Finance Act 1972
- Local Government Finance Act 1992,
- and Local Government Act 2003.

Equal opportunity implications: None

Human resources implications: None

Financial implications:

There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Health Inequalities Implications: None

Section 17 - Crime and Disorder Implications: None

Risk management implications:

The principal risks are that the Council:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Environmental implications: None

Legal implications:

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.

Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

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AGENDA ITEM NO. 12

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Council - Monday 14 February

From: Interim Director of Finance and Enterprise

Subject: Audit Appointment 2023/24 to 2027/28

Portfolio: Finance and Corporate (Councillor S Croft)

Delivering Our Future Theme: 1, 2, and 3

Delivering Our Future Priority: All

1.0 Purpose of Report

1.1. This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 to 2027/28.

2.0 Recommendations

2.1. That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

3.0 Background

3.1. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

3.2. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

4.0 The national auditor appointment scheme

4.1. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

In summary the national opt-in scheme provides the following:

a) the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;

b) appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;

c) managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;

d) ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;

e) minimising the scheme management costs and returning any surpluses to scheme members;

f) consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;

g) consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and

h) ongoing contract and performance management of the contracts once these have been let.

4.2. The Council will not make any direct payments to the PSAA for joining the national scheme. Contributions are made to the PSAA by participating audit firms.

5.0 <u>Conclusion</u>

5.1. The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally.

6.0 <u>Appendices</u>

6.1. None

7.0 <u>Background Papers</u> (if none, state none)

7.1. None