TO:- Council

Councillor Meg Barrow , Councillor Andrew Adams , Councillor Helen Adams , Councillor Penny Allen , Councillor Jeff Ashley , Councillor Barry Bond MBE , Councillor John Brindle , Councillor Gary Burnett , Councillor Val Chapman , Councillor Bob Cope , Councillor Mike Davies , Councillor Philip Davis , Councillor Steph Dufty , Councillor Robert Duncan , Councillor Sue Duncan , Councillor Christopher Evans , Councillor Mark Evans , Councillor Warren Fisher , Councillor Sam Harper-Wallis , Councillor Dr Paul Harrison MBE , Councillor Rita Heseltine , Councillor Diane Holmes , Councillor Fiona Hopkins , Councillor Matthew Jackson , Councillor Victor Kelly , Councillor Dan Kinsey BEM , Councillor Roger Lees BEM , Councillor Vincent Merrick , Councillor John Michell , Councillor Rob Nelson , Councillor Kath Perry MBE , Councillor Martin Perry , Councillor Ray Perry , Councillor Robert Reade , Councillor Gregory Spruce , Councillor Christopher Steel , Councillor Wendy Sutton , Councillor Sue Szalapski , Councillor Bernard Williams , Councillor David Williams , Councillor Kath Williams , Councillor Victoria Wilson

Notice is hereby given that a meeting of the Council will be held as detailed below for the purpose of transacting the business set out below.

Date: Tuesday, 20 February 2024
Time: 19:00
Venue: Council Chamber, Council Offices, Wolverhampton Road, Codsall, South Staffordshire, WV8 1PX

D. Heywood
Chief Executive

A G E N D A

Part I – Public Session

1 Priority Business (if any)

To dispose of any business required by statute or by the Council's Procedure Rules to be brought before the Council before any other business.

2 Minutes **1 - 2**

To approve the minutes of the meeting of Council held on 12 December 2023.

3 Apologies

To receive any apologies for non-attendance.

4 Declarations of Interest

To receive any declarations of interest.

5 Questions pursuant to Council Procedure Rule 11.4

Note: A Councillor may ask the Chairman of the Council, a member of the Cabinet or the Chairman of any Committee, Sub-Committee or Panel a question on any matter in relation to which the Council has powers or duties or which affects the District of South Staffordshire provided that:-

(a) they have given at least seven working days' notice in writing of the question to the Chief Executive; or

(b) the question relates to urgent matters, they have the consent of the Cabinet Member to whom the question is to be put, and the content of the question is given to the Chief Executive by 11.00 a.m. on the day of the meeting. Every question shall be put and answered without discussion but the person to whom the question has been put may decline to answer.

10 Chairman's Announcements

To receive any announcements which the Chairman wishes to bring to the attention of the members.

Note: Members, officers, and the public are requested to stand at the conclusion of the meeting whilst the Chairman and Vice-Chairman leave the Council Chamber.

Part II – Private Session

RECORDING
Please note that this meeting will be recorded.

PUBLIC ACCESS TO AGENDA AND REPORTS

Spare paper copies of committee agenda and reports are no longer available. Therefore should any member of the public wish to view the agenda or report(s) for this meeting, please go to www.sstaffs.gov.uk/council-democracy.

Minutes of the meeting of the **Council** South Staffordshire Council held in the Council Chamber Community Hub, Wolverhampton Road, Codsall, South Staffordshire, WV8 1PX on Tuesday, 12 December 2023 at 19:00

Present:-

Councillor Andrew Adams, Councillor Jeff Ashley, Councillor Meg Barrow, Councillor John Brindle, Councillor Gary Burnett, Councillor Val Chapman, Councillor Mike Davies, Councillor Philip Davis, Councillor Steph Dufty, Councillor Robert Duncan, Councillor Sue Duncan, Councillor Christopher Evans, Councillor Mark Evans, Councillor Warren Fisher, Councillor Sam Harper-Wallis, Councillor Dr Paul Harrison , Councillor Rita Heseltine, Councillor Diane Holmes, Councillor Fiona Hopkins, Councillor Matthew Jackson, Councillor Victor Kelly, Councillor Dan Kinsey, Councillor Roger Lees, Councillor Vincent Merrick, Councillor John Michell, Councillor Rob Nelson, Councillor Kath Perry, Councillor Martin Perry, Councillor Ray Perry, Councillor Robert Reade, Councillor Gregory Spruce, Councillor Christopher Steel, Councillor Wendy Sutton, Councillor Sue Szalapski, Councillor David Williams, Councillor Victoria Wilson

19 **PRIORITY BUSINESS (IF ANY)**

There was no priority business.

20 **MINUTES OF 5 SEPTEMBER 2023**

RESOLVED: That the minutes of the meeting of Council held on 5 September 2023 be approved and signed by the Chairmen.

21 **MINUTES OF SPECIAL COUNCIL 5 SEPTEMBER 2023**

RESOVLED: That the minutes of the meeting of Special Council held on 5 September 2023 be approved and signed by the Chairmen.

22 **APOLOGIES**

Apologies were received from Councillor H Adams, Councillor P Allen, Councillor B Bond MBE, Councillor B Williams and Councillor K Williams.

23 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

24 **QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 11.4**

There were no questions pursuant to Council Procedure Rule 11.4.

25 **LEADER'S REPORT**

Members received and noted the report of the Leader of the Council.

26 **COMMITTEE UPDATES**

Members received and noted the report of the Committee Chairmen.

27 **MOTION - PROPOSED BY COUNCILLOR HARPER-WALLIS**

It was Proposed by Councillor Harper-Wallis and Seconded by Councillor Dr Harrison that: Recognising the importance of public engagement and transparency in local governance, this motion proposes the introduction of a dedicated Public Questions Agenda Item at each Ordinary meeting of

South Staffordshire District Council.
Councillor Chapman spoke against the Motion but following clarification, did not propose an amendment to the Motion. Councillor Fisher requested a named vote; this was voted upon and defeated.

RESOLVED: That the Motion was defeated.

28 ANNUAL AUDIT LETTER 2022/23

It was Proposed by Councillor Michell and Seconded by Councillor Lees and

RESOLVED: Members note the content of the two reports.

29 INTEGRATED PERFORMANCE MANAGEMENT (IPM) REPORT - QUARTER 2

It was Proposed by Councillor Lees and Seconded by Councillor Wilson and

RESOLVED: Members note the Quarter 2 IPM Report.

30 ANNUAL REPORT ON THE CAPITAL STRATEGY

It was Proposed by Councillor Lees and Seconded by Councillor Wilson and

RESOLVED: Members approve the 2022/23 Annual Report on performance against the Capital Strategy.

31 CHAIRMAN'S ANNOUNCEMENTS

The Chairman of the Council, Councillor Meg Barrow, began by presenting Honorary Alderman badges to Alderman Roy Wright, Alderman Joan Burton MBE and Mrs Cartwright on behalf of Alderman Don Cartwright. The Chairman stated that £245 had been raised at her bottle stall at the Codsall Christmas Fayre recently and that on Saturday she was attending a carol service at Staffordshire County Council. Recognising outstanding achievements, the Chairman mentioned Wally Fowler a local 89-year-old cyclist who had done a 2K ride; and 9-year-old Amelia Smith from Codsall, who had been awarded Young Fundraiser of the Year at New Cross Hospital. Finally, the Chairman invited members and Aldermen to join her for carols in the Members Lounge to mark the festive season.

The Meeting ended at: 19:51

CHAIRMAN

SOUTH STAFFORDSHIRE COUNCIL

COUNCIL 20th FEBRUARY 2024

THE COUNCIL'S MEDIUM-TERM FINANCIAL STRATEGY 2024/25 – 2028/29 AND 2024/25 BUDGET

REPORT OF THE LEADER OF THE COUNCIL – COUNCILLOR ROGER LEES BEM

1. Summary

1.1 This report sets out the Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2028/29, projected revenue expenditure for 2023/24, and the Capital Programme for 2024/25 to 2028/29.

1.2 The proposals present a three-year balanced budget achieved through the use of General Fund reserves until 2026/27.

1.3 The final Local Government Finance Settlement was announced on 5 February 2024 and this report incorporates the detail provided within the statement.

1.4 It is proposed that Members agree to increase Council Tax by £5 and utilise **£1.456m** of General Fund reserves in 2024/25.

1.5 The consultation period for stakeholders to comment on the budget remained open until 5 February 2024. No comments relating to the MTFS were received.

2. Recommendations

2.1 It Is recommended that:

a) Members approve this report together with the draft Medium-Term Financial Strategy (MTFS), projected expenditure for 2023/24, revenue estimates and capital programme for 2024/25 and proposals for the 2024/25 budget.
b) Council passes a resolution in the form attached at Appendix 5
c) Council notes the report of the Chief Finance Officer on the robustness of the estimates and the adequacy of the Council's reserves, attached as Appendix 6:
d) That the Leader of the Council be authorised to make any necessary amendments to include any late information or to correct any errors or omissions

3. Summary Impact Assessment

<table>
<tr><td rowspan="4">POLICY/COMMUNITY IMPACT</td><td colspan="2">Do these proposals contribute to specific Council Plan objectives?</td></tr>
<tr><td>Yes</td><td>The budget is the financial expression of the Council’s priorities and therefore underpins the Council Plan.</td></tr>
<tr><td colspan="2">Has an Equality Impact Assessment (EqIA) been completed?</td></tr>
<tr><td>No</td><td>Budget / MTFS assumptions and forecasts do not impact on equality issues.</td></tr>
<tr><td>SCRUTINY POWERS APPLICABLE</td><td colspan="2">Overview & Scrutiny Committee on 23 January 2024 – the final decision will be taken at Council on 20 February 2024.</td></tr>
<tr><td>KEY DECISION</td><td colspan="2">No – Council decision</td></tr>
<tr><td>TARGET COMPLETION/ DELIVERY DATE</td><td colspan="2">March 2024</td></tr>
<tr><td>FINANCIAL IMPACT</td><td>Yes</td><td>As set out in the report.</td></tr>
<tr><td>LEGAL ISSUES</td><td>Yes</td><td>The Council has a legal obligation to set a balanced budget (s32 of the Local Government Finance Act 1992) and must make three calculations namely:
• an estimate of gross revenue expenditure
• an estimate of anticipated income; and
• a calculation of the difference.

The amount of the budget requirement must be sufficient to meet the Council’s budget commitments and ensure a balanced budget. The 2024/25 budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council’s fiduciary duty to its Council Taxpayers and non-domestic rate payers.

Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for ‘the proper administration of their financial affairs'.</td></tr>
<tr><td>OTHER IMPACTS, RISKS & OPPORTUNITIES</td><td>Yes</td><td>The relevant risk (per the Strategic Risk Register) is:
• Budget pressures, increased income volatility and uncertainty as to the future of local government finance – The budget, the MTFS and the financial stability of the Council is severely impacted by reductions and/or changes in the way in which local government is financed.</td></tr>
<tr><td>IMPACT ON SPECIFIC WARDS</td><td>No</td><td></td></tr>
</table>

4. Background

4.1 The aim of the Medium-Term Financial Strategy (MTFS) is to pull together all known factors affecting the financial position and financial sustainability of the Council over the medium term. The MTFS balances the financial implications of objectives and policies against constraints in resources and provides the basis for decision making. This MTFS covers 2024/25 to 2028/29 and highlights the various financial challenges facing the Council over this period.

4.2 The Local Government Finance Policy Statement was issued on 5 December 2023 and confirmed the following:

- Business Rates baseline funding levels and compensation (Section 31) grants will be increased by CPI.
- Revenue Support Grant will increase by CPI.
- Council Tax referendum limit of 3% or £5 for shire district councils
- Minimum Funding Guarantee will ensure that all authorities see a 3% increase in core spending power before any decision on organisational efficiencies, use of reserves and council tax levels.
- New Homes Bonus will continue in 2024/25
- Services Grant will reduce and the remainder to be distributed using the Settlement Funding Assessment distribution methodology.

4.3 The final Local Government Finance Settlement, on 5 February 2024, increased the Funding Guarantee to 4% which has resulted in additional funding of £0.090m for the Council.

4.4 There continues to be significant levels of uncertainty around when the 'Business Rates Reset' or funding reform will be implemented and what impact this may have. The intention of this will be for the baseline need for local authorities to be re-assessed which will affect the amount of Business Rates that the Council is able to retain. This is a significant strategic risk for the Council.

4.5 Despite this uncertainty, the Council is still required to prepare an MTFS and therefore must use several assumptions in doing this. These assumptions are set out later in the report.

4.6 The state of the economy continues to be volatile and provides a challenging environment in which to set the budget. Although local government has largely recovered from the impact of COVID-19, some behaviours have changed in the long-term and this continues to affect some councils. There is also the 'cost of living' crisis, exacerbated by the war in Ukraine and the potential impact of conflict in the Middle East.

5. Annual Budget Setting Cycle and Timetable

5.1 The construction of the budget and the MTFS involves a number of key stages designed to ensure the budget is robust:

- Identification of budget issues as part of budget monitoring which is reported to Corporate Leadership Team and Cabinet on a quarterly basis.
- Assembly of savings, efficiencies and additional budget requirements (Oct – Dec).
- All member Resource Planning and Prioritisation Briefing Session (Dec 2023).
- Decision on Draft Budget – (Cabinet 9 January 2024).
- Consultation with Stakeholders (10 January 2024 – 5 February 2024).
- Overview and Scrutiny Committee consider the draft budget – (23 January 2024).
- Cabinet Review of Final Budget – (Cabinet 6 February 2024).
- Approval by Council – (20 February 2024).

6. 2024/25 Budget and Updated MTFS 2024/25 – 2028/29

6.1 The MTFS has been updated for the period 2024/25 to 2028/29 and is summarised below:

Table 1: Updated MTFS and Annual Revenue Budgets

	2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
	ORIGINAL BUDGET	**PROJECTION (Q2)**					
	£000	£000	£000	£000	£000	£000	£000
Total Service Expenditure	19,732	19,810	21,601	21,803	23,162	23,828	24,023
Capital Financing and Treasury	(671)	(1,009)	(731)	(255)	(133)	109	254
Net Expenditure	**19,061**	**18,800**	**20,870**	**21,547**	**23,029**	**23,938**	**24,277**
Total Funding	(17,289)	(19,168)	(19,414)	(20,369)	(18,200)	(21,602)	(22,376)
Forecast Annual (Surplus)/Deficit	**1,772**	**(368)**	**1,456**	**1,179**	**4,829**	**2,335**	**1,901**
Use of Collection Fund reserve					(2,000)		
Forecast Annual (Surplus) / Deficit	**1,772**	**(368)**	**1,456**	**1,179**	**2,829**	**2,335**	**1,901**

Table 2: Updated General Fund Reserves

	2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
	ORIGINAL BUDGET	**PROJECTION (Q2)**					
	£000	£000	£000	£000	£000	£000	£000
Opening Balance 1st April	(8,672)	(8,672)	(7,755)	(6,299)	(5,120)	(2,291)	45
Closing General Fund Reserves 31st March	**(6,900)**	**(7,755)**	**(6,299)**	**(5,120)**	**(2,291)**	**45**	**1,946**

6.2 The above tables show that General Fund reserves are forecast to remain above minimum levels (set at £1.5m) until partway through the 2027/28 financial year. This continued reliance on General Fund reserves is unsustainable and will need to be addressed if increased Business Rates income is not generated as anticipated.

6.3 The draft budget for 2024/25 and the detailed draft MTFS are set out in full in Appendix 1.

6.4 The following key assumptions have been made in preparing the updated MTFS:

- Pay Award 4.5% 2024/25; 3% in 2025/26 and 2% thereafter.
- Council Tax increases by £5 in each year and a gradual increase in the base across the 5 years
- General inflationary increase of 4.6% in 2024/25 and 2% in future years except in cases where contractual inflations are known to be different.
- Business Rates reset assumed to happen in 2026/27 with transitional protection of 50% in first year and 25% in second year.
- Stable Business Rates until inclusion of West Midlands Interchange (WMI), ROF Featherstone and i54 in 2027/28 (at mid-case estimates)
- Continued high interest rates but reducing across the years.
- New Homes Bonus ceasing after 2024/25 and replaced with Funding Guarantee until 2026/27
- £1m set aside in Earmarked Reserves for the potential costs of temporary accommodation but nothing built into ongoing revenue budget currently.

Reconciling the current updated MTFS to the Feb 2023 Approved MTFS

6.5 Changes need to be made to the Council's budget and MTFS to keep them up to date and robust. These changes have been summarised in Table 3 below.

Table 3: Reconciliation of Previous and Updated MTFS

	Note	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)
Deficit as at Feb 2023 MTFS		**1,320**	**1,972**	**4,122**	**4,676**
Movements/Changes: -					
Pay Inflation	1	251	349	332	343
Contract Inflation	2	171	179	184	192
Income Reduction	3	76	61	56	38
RPP Decisions	4	180	(171)	607	470
Business As Usual Amendments	5	276	307	406	413
Interest on Balances	6	(260)	(170)	(137)	(87)
Costs of Capital	7	0	129	168	280
Removal of New Homes Bonus	8	7	325	0	0
Services Grant Changes	9	84	(1)	49	100
Revenue Support Grant/ Business Rates	10	(1,741)	(2,282)	(496)	(4,084)
Council Tax Receipts	11	14	9	(11)	(12)
Application of Collection Fund Reserve	12	1,000	1,027	(2,000)	0
Collection Fund Surplus/Deficit	13	299	0	0	0
Funding Guarantee	14	(213)	(557)	(454)	0
Other	15	(8)	1	3	5
Total Changes		**136**	**(793)**	**(1,293)**	**(2,342)**
Deficit as at Dec 2023 MTFS		**1,456**	**1,179**	**2,829**	**2,335**

The main changes are as follows:

1 **Pay Inflation.** The MTFS approved in February 2023 assumed a Local Government pay award of 5% for 2023/24, 3% in 2024/25 and 2% thereafter. Due to the economic uncertainty, a Pay and Inflation Earmarked Reserve was also created to protect the General Fund from higher than anticipated pay awards.

The 2023/24 pay award was actually settled as a flat increase in annual salaries of £1,925 per annum per full time equivalent post.

The financial impact of the 2023/24 award plus the updated assumptions set out in paragraph 6.4 are shown in Table 3.

2 **Contract Inflation.** Outside of known contractual increases, a standard 2% inflation had been applied in the previous MTFS. A recurring budget of £150,000 in 2023/24, increasing to £200,000 in the following year was also created. This could be drawn upon, with the approval of the Leader and S151 Officer if any budgets across the Council required support for unavoidable inflationary increases. In addition to this resource, further resources were added to the Inflation Earmarked Reserve.

Due to the continuing high levels of inflation, a 4.6% increase has been applied in 2024/25 reducing to 2% thereafter. This is based on October 2023 CPI.

3 **Income Reduction** There has been a reduction in the income target for crematoria and recycling credits paid by Staffordshire County Council.

4 **Resource Planning and Prioritisation (RPP)** Appendix 2 to this report itemises key budget changes that have arisen from service developments and decisions requiring Member approval and/or ratification.

5 **Business As Usual Impacts** Appendix 3 to this report details increases (or decreases) to the costs incurred by the Council where the costs of delivering service in accordance with existing policies have changed since the previous MTFS (excluding those caused by inflation and detailed above).

6 **Interest on Balances** Increases to the base rate have continued to have a positive impact on the Council since the last MTFS as interest earned on cash balances has increased materially. It is now assumed that these rates will slowly reduce over the period of the MTFS resulting in lower levels of investment income moving forward.

7 **Costs of Capital** This refers to the interest costs of borrowing and the provision the Council must set aside for repayment of principal for financing the Capital Programme (referred to as the Minimum Revenue Provision (MRP)). Three projects have been put forward to be added to the Capital Programme therefore resulting in an increase in this provision. The projects are: -

- Replacement of leisure equipment £641k
- Car Park improvements £360k
- Street Scene fleet replacement £551k

8 **New Homes Bonus** It has been assumed that there will be no further New Homes Bonus funding after 2024/25. However, this has meant that the increase in the Council's core spending power will fall below the 3% outlined in the Policy Statement and will attract a Funding Guarantee in years 2024/25 to 2026/27.

9 **Services Grant** The previous MTFS had assumed this grant would reduce across the 5-year period. The Policy Statement confirmed further reductions in this grant, and this has now been included in the updated MTFS.

10 **Retained Business Rates** Section 8 provides further information on the changed assumptions in Business Rates

11 **Council Tax Receipts** Section 7 provides further information on the bases for the Council Tax income included in the MTFS.

12 **Application of Earmarked Reserves.** The Council holds an Earmarked Reserve to protect against the volatility in Business Rates income. The previous MTFS assumed that this would be used equally across the years 2023/24 to 2025/26. An improved financial

position for 2023/24 has meant that this is no longer required, and the reserve is projected to remain at a level of approximately £3m.

The updated MTFS makes use of £2m of this reserve in 2026/27 to reduce the impact of the Business Rates reset. The remaining £1m is to be set aside in a new reserve for Temporary Accommodation pressures.

13 **Collection Fund Surplus/Deficit** The Collection Fund is the statutory account that deals with Council Tax and Business Rates. Each year the Council has to estimate whether this will be in in surplus or deficit and at what value. Any surplus or deficit is required to be carried forward into the following financial year. It is currently estimated that the Collection Fund will be in a deficit of £299k at the end of 2023/24 and this will be required to be carried forward into 2024/25.

14 **Funding Guarantee**. The government has committed to providing a Funding Guarantee to Councils where their core spending power does not increase by at least 4%. It is assumed that this will also continue in the following two years. The confirmed allocation of this for 2024/25 is £212k then estimated allocations of £557k in 2025/26 and £454k in 2026/27. As explained in note 8, the main reason for the increased allocation from 2025/26 is the loss of New Homes Bonus funding.

15 **Other** Minor other changes not categorised above.

7. Council Tax

7.1 It has been assumed that Members will agree to increase Council Tax by £5 for a Band D equivalent property in all years of the MTFS. This is the maximum allowable increase in Council Tax without a referendum.

7.2 Table 4 below details the current South Staffordshire Tax Base, the estimated growth in this tax base across the MTFS and the impact this has on Council Tax receipts for the Council.

Table 4, Council Tax Assumptions within the MTFS

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Assumed Tax Base (Total Number of Band D Equivalent Properties)	39,914	40,239	40,574	40,774	40,974
Council Tax – Band D (£)	140.34	145.34	150.34	155.34	160.34
Council Tax Increase (£)	5.00	5.00	5.00	5.00	5.00
Total Council Tax Receipts (£000)	**5,602**	**5,848**	**6,100**	**6,334**	**6,570**

8. Business Rates

8.1 Business Rates income is the largest source of funding for the Council and therefore a significant risk. Business Rates are a volatile income type and can be easily influenced by the economic environment.

8.2 The Council's ability to utilise General Fund reserves in the earlier years of the MTFS are largely dependent on the knowledge that significant Business Rates income growth will be realised with the development of West Midlands Interchange (WMI) and ROF Featherstone in future years. The estimated income from these developments is based on 'mid-case' scenarios and could be significantly higher or lower than assumed.

8.3 The mid-case scenario has been used due to two areas of uncertainty; (1) the timing and impact of the Business Rates reset and (2) the completion of the developments and sale of units.

8.4 Over recent years, the government have issued various documents discussing the need for funding reform and a reset of the accumulated Business Rates growth currently held by councils. However, this has been delayed for several reasons and the government have again confirmed in the 2024/25 Policy Statement that 'now is the time for stability and continuity, and we will therefore not be pursuing any fundamental reforms to the system'.

8.5 In the absence of any firm plans from the government, the updated MTFS assumes that funding reform and the Business Rates reset will happen in 2026/27, at which point the Council will 'lose' any growth in Business Rates to date.

8.6 It is also assumed that there will be an element of transitional protection; 50% of the loss in funding in 2026/27 and 25% in 2027/28. There is currently no information from the government on this therefore this is an internal assumption based on the awareness of the financial strain on local authorities and that the sector would be unable to deal with a 'cliff edge' in funding in one year. This is however a significant risk for the future of the MTFS, particularly if the government decide not to provide transitional protection as they consider that councils have had sufficient 'notice' of the potential changes. Section 9 below provides some sensitivity analysis in this area.

8.7 Table 5 below shows the level of Business Rates income assumed in the current MTFS.

Table 5: Business Rates income assumed in the current MTFS

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Business Rates income (including S31 grants, tariff, pool returns & levy)	6,624	6,624	3,300	3,400	3,500
Growth from WMI & ROF Featherstone	119	722	0	4,317	5,521
Growth from i54 Western Extensions				250	250
Transitional Protection			1,662	831	
Total	**6,743**	**7,346**	**4,962**	**8,798**	**9,271**

8.8 The Council holds earmarked reserves to cover the volatility in Business Rates income and to also prepare for the impact of funding reform. The MTFS assumes that £2m of this will be used in 2026/27 to reduce the impact of the Business Rates reset.

9. Sensitivity Analysis

Business Rates

9.1 Table 6 below indicates how changes to the broad assumptions made, particularly from 2026/27 could impact upon the level of General Fund reserves held by the Council.

Table 6: Sensitivity Analysis: Impact of Business Rates Retention scenarios on General Fund Balance forecasts

GENERAL FUND BALANCE	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Optimistic Scenario No Business Rates Reset and WMI & ROF Featherstone at mid-case	(6,299)	(5,120)	(3,951)	(4,008)	(5,231)
Current MTFS Assumptions Business Rates Reset in 2026/27; Transitional Protection 50% in first year and 25% in second year; continued arrangements for retaining growth; WMI & ROF Featherstone at mid-case	(6,299)	(5,120)	(2,291)	45	1,946
Pessimistic Scenario Business Rates Reset in 2026/27; No Transitional Protection and 25% reduction in ability to retain growth after reset	(6,299)	(5,120)	(627)	3,619	6,900

9.2 This shows that under the 'Optimistic Scenario' General Fund reserves are projected to reduce to £3.918m at the end of 2027/28, whereas under the 'Pessimistic Scenario' there would be a deficit position of £3.709m. These are compared to the MTFS scenario which would result in £0.137m deficit at the end of 2027/28.

9.3 Whilst the optimistic and pessimistic scenarios are considered unlikely, this does demonstrate the impact that changes in the Business Rates Retention Scheme (and any linked funding reform) could have on the Council's MTFS. It is therefore important that the Council considers future options in the event of a material reduction in the expected Business Rates growth from WMI and ROF Featherstone.

Commercial Income

9.4 Table 7 below shows the impact of different occupancy levels of the Council's commercial units on the General Fund balance.

Table 7 Sensitivity Analysis – Impact of changes in occupancy rates on commercial rent income and General Fund Balance

GENERAL FUND	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£000	£000	£000	£000	£000
Optimistic Assumption 100% Occupancy	(6,349)	(5,240)	(2,483)	(220)	1,606
Current MTFS Assumption 97.5% Occupancy	(6,299)	(5,120)	(2,291)	45	1,946
Pessimistic Assumption 92.5% Occupancy	(6,196)	(4,877)	(1,905)	577	2,628

9.5 Current occupancy levels in commercial units are at 98.5% therefore the pessimistic scenario would require a significant vacation of premises which is unlikely. Likewise, it is unusual for any commercial asset portfolio to have a consistent occupancy of 100%.

9.6 This shows that the Council's budget is less susceptible to changes in commercial rent income than Business Rates income. However, it is still important that this income is regularly monitored, and debt recovery processes are robust. The Council is currently in the process of attempting to move all tenants to direct debit as their payment methods which will also reduce the possibility of bad debts.

9.7 In view of the above sensitivity analyses, it is considered that the assumptions applied to the updated MTFS are balanced and prudent. However, these areas are high risk and therefore require regular review and monitoring.

10. Capital Programme

10.1 The full capital programme over the period to 2028/29 is detailed in **Appendix 3** to this report and is summarised below in Table 8.

Table 8: Medium Term Capital Programme (2023/24 to 2028/29)

2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
£000	£000	£000	£000	£000	£000
12,183	11,971	1,714	1,796	1,493	1,486

11. Earmarked Reserves

11.1 In addition to the General Fund Balance the Council also has Earmarked Reserves which are set aside for a specific purpose.

Table 9: Analysis of General Fund and Earmarked Reserves (Opening balances for 2023/24)

	Balance at 31st March 2023 £000
General Fund Reserve	8,672
Earmarked Reserves	6,996
Total Usable Revenue Reserves	**15,668**

11.2 The Council's Earmarked Reserves are set out in Appendix 7. A categorised summary of these is detailed below in Table 10.

Table 10: Summary Analysis of Earmarked Reserves

DESCRIPTION	Balance at 31//03/23	Use in 2023/24	Transfers 2023/24	Projected Balance 31/03/24
	£000	£000	£000	£000
Corporate Priorities	74	0	(16)	58
Investment in assets & resources	1,552	4	(16)	1,540
Member Priorities	0	254	141	395
Ringfenced Grants & Funding	1,368	(19)	0	1,349
Risk & Uncertainty	3,099	313	0	3,412
Service Teams	489	(97)	(109)	283
Transformation	414	(120)	0	294
Total Earmarked Reserves	**6,996**	**335**	**0**	**7,331**

11.3 Earmarked Reserves are regularly reviewed as part of the budget monitoring and risk management process and transfers made if new or emerging pressures become likely. The Section 151 Officer's statement on the adequacy of reserves is in Appendix 6.

12. Risks & Mitigations

12.1 There are always risks when preparing an MTFS as it is necessary to make assumptions in several areas due to the time period covered. These assumptions have already been set out earlier in the report.

12.2 Generally, the current level of Council reserves (General Fund and Earmarked) allows time to plan ahead and mitigate against most risks. However, it is important that these plans are made as early as possible so that they can be implemented if and when necessary.

12.3 Table 11 below highlights the main risks and how these can or have been mitigated.

Table 11: Risks and Mitigations

Risk	Mitigation
Business Rates reset happens in 2025/26 not 2026/27	This is highly unlikely given the impending General Election which is due during 2024. General Fund reserves and Earmarked Reserves are in a healthy position which will still provide time to plan for the impact of this.

Risk	Mitigation
	The Council holds an Earmarked Reserve of approximately £2.8m to cover Business Rates volatility.
WMI & ROF Featherstone growth does not materialise	The assumptions around this are prudent and only include a mid-case scenario. The significant growth is not included until 2027/28 and indications that this will not happen would be seen well in advance of that date. This allows time to plan for alternative budget positions. The Council holds an Earmarked Reserve of approximately £2.8m to cover Business Rates volatility.
The government does not provide transitional protection as part of a Business Rates reset	The government will be required to issue a consultation prior to any funding reform which will allow time for the Council to understand the potential implications. The next MTFS process will need to include discussions about alternative budget options in the case of current assumptions being over-optimistic.
Inflation levels continue at a higher rate than expected	The Council holds a Pay and Inflation reserve (estimated balance of £458k by the end of 2023/24) which is able to substantially cover this risk.
Temporary accommodation costs are higher than set aside in Earmarked Reserves	General Fund reserves are at a healthy level and can cover some of this. There are also a number of other Earmarked Reserves that could be redesignated (although this would impact on other Council Plan priorities).

13. Conclusion

13.1 The level of the Council's General Fund and Earmarked Reserves means that it is possible to produce a balanced budget for the next three years in an uncertain operating environment. The Council is alert to the risks in the current MTFS and will be considering alternative options if any of those risks do materialise.

13.2 The budget is judged to be prudent and deliverable and is therefore recommended to Members for approval.

14. Appendices

Appendix 1 – MTFS 2024/25 to 2028/29
Appendix 2 – Resource Planning and Prioritisation (RPP) & BAU Amendments
Appendix 3 – Capital Programme – Summary of Capital Investment Plans

Appendix 4 – Cabinet Summaries (MTFS)
Appendix 5 – Form of Resolution to approve the budget and set the council tax
Indicative at this stage ahead of Parish Council's setting Council Tax
Appendix 6 – Report on the robustness of estimates and adequacy of reserves
Appendix 7 - Earmarked Reserves Analysis

Report prepared by:
Rebecca Maher, Director of Finance (Section 151 Officer)

John Mayhew, Finance Team Manager (Deputy Section 151 Officer)

APPENDIX 1 – MTFS 2024/25 TO 2028/29

	2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
	ORIGINAL	PROJECTED OUTURN AT M6	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business Enterprise and Community Infrastructure	1,441	1,304	1,140	1,275	1,340	1,395	1,421
Community Services	5,233	5,104	5,953	6,206	7,245	7,395	7,525
Corporate Services	4,129	4,222	4,215	4,456	4,590	4,921	4,780
Digital Transformation & Estate Management	1,760	1,874	1,485	827	818	821	874
Regulatory Services	845	845	890	979	1,003	1,023	1,041
Welfare Services	1,296	1,432	1,637	1,716	1,759	1,802	1,848
	14,704	**14,782**	**15,320**	**15,459**	**16,755**	**17,358**	**17,487**
Other Service Expenditure							
i54 Enterprise Zone	5,028	5,028	6,281	6,343	6,407	6,471	6,536
Total Other Service	5,028	5,028	6,281	6,343	6,407	6,471	6,536
Total Service Expenditure	19,732	19,810	21,601	21,803	23,162	23,828	24,023
Capital Financing and Treasury							
Investment Income	(562)	(900)	(680)	(455)	(316)	(192)	(110)
Borrowing Costs	235	235	235	350	350	351	350
Minimum Revenue	551	551	640	761	706	712	712
MRP Increase			0	15	53	164	228
Dpcn incl in Service	(895)	(895)	(926)	(926)	(926)	(926)	(926)
Capital Financing and Treasury	(671)	(1,009)	(731)	(255)	(133)	109	254
Net Expenditure	**19,061**	**18,800**	**20,870**	**21,547**	**23,029**	**23,938**	**24,277**
Funding:							
New Homes Bonus	(659)	(659)	(643)				
Services Grant	(91)	(95)	(16)	(51)	(51)		
RSG			(216)	(223)	(226)		
Funding Guarantee			(213)	(557)	(454)		
Business Rates	(5,000)	(7,000)	(6,624)	(6,624)	(3,300)	(3,400)	(3,500)
Collection Fund			299				
Transitional Funding					(1,662)	(831)	
Delays to Fair Funding	(150)						
Western Extension						(250)	(250)
Business Rates Growth			(119)	(722)		(4,317)	(5,521)
Collection Fund Smoothing	(1,000)	(1,000)					
Enterprise Zone	(5,028)	(5,028)	(6,281)	(6,343)	(6,407)	(6,471)	(6,536)
Council Tax Receipts	(5,361)	(5,386)	(5,602)	(5,848)	(6,100)	(6,334)	(6,570)
Total Funding	(17,289)	(19,168)	(19,414)	(20,369)	(18,200)	(21,602)	(22,376)
Forecast Annual Deficit	**1,772**	**(368)**	**1,456**	**1,179**	**4,829**	**2,335**	**1,901**
Use of Collection Fund Reserve					(2,000)		
Forecast Annual (Surplus) / Deficit	**1,772**	**(368)**	**1,456**	**1,179**	**2,829**	**2,335**	**1,901**

APPENDIX 2: RPP & BAU ITEMS

Business Enterprise & Community Services	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)
Increase in planning fees	(248)	(248)	(248)	(248)	(248)
Increase in charge for PPA Agreements	(45)	(45)	(45)	(45)	(45)
Income from biodiversity credits	(35)	(35)	(35)	(35)	(35)
Total reductions in budget (savings)	**(328)**	**(328)**	**(328)**	**(328)**	**(328)**
Increased contribution for Building Control Service	16	35	55	58	58
Investment in BOT Auto fill forms	15	15	16	16	16
Investment in AI Technology for data validation	15	15	16	16	16
Staff Retention Fund	0	50	50	50	50
Apprentice – Planner	18	18	18	25	0
Total increases in budget	**64**	**133**	**154**	**165**	**141**
Total	**(264)**	**(195)**	**(174)**	**(163)**	**(188)**

Community Services	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)
Closed Churchyards Sink Fund	25	25	25	25	25
Implementation of the Environment Act 2021 and Environmental Improvement Plan 2023		100	1,000	1,000	1,000
Salary costs of a permanent Tree Surveyor	42	43	44	45	46
Increase in the budget for car park maintenance & repairs	10	10	10	10	10
Baggeridge – increase in budget for the cost of a seasonal/casual ranger	17	17	17	17	17
Total increases in budget	**94**	**195**	**1,096**	**1,097**	**1,098**
Uplift of savings agreed as part of previous MTFS	(50)	(50)	(50)	(50)	(50)
Inflationary increase in cost of garden permits in 2024/25 & 2025/26	(85)	(87)	(87)	(87)	(87)
Total reductions in budget (savings)	**(135)**	**(137)**	**(137)**	**(137)**	**(137)**
Total	**(41)**	**58**	**959**	**960**	**961**

Corporate Services	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)
Reduction in budgeted contribution to Pension Fund in future years			(120)	(240)	(360)
Total			**(120)**	**(240)**	**(360)**

Digital Technology & Service Transformation	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)
Additional Senior Surveyor & Admin Support	85	89	92	96	100
Renewal of Capita Contract	30	30	30	30	30
Total Pressures/Additions to Budget	**115**	**119**	**122**	**126**	**130**
Re-profiling of commercial estates income	306	(191)	(216)	(245)	(245)
Sink Fund adjustment	15	(10)	(11)	(12)	(12)
Total Savings	**321**	**(201)**	**(227)**	**(257)**	**(257)**
Total	**436**	**(82)**	**(105)**	**(131)**	**(127)**

Welfare Services	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)
Reduction in income expected from Housing Benefit overpayments due to move to Universal Credit and improved debt recovery	175	200	200	200	200
Total Pressures/Increases in Budget	**175**	**200**	**200**	**200**	**200**

APPENDIX 3 – CAPITAL PROGRAMME

	Budget 2024/25 £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total £000
Digital Transformation & Estate Management						
Replacement of workstations	45	45	45	45	45	225
Civica Licences	0	0	0	0	125	125
Digital Services Storage Area Network	0	100	0	0	0	100
Digital Services Core Chassis Switch 2025/26	0	90	0	0	0	90
Digital Services - vSAN switches & vSan Hosts	120	0	0	0	0	120
Digital Services - server room battery	0	0	10	0	0	10
Digital Services - Core Network Switches	0	100	0	0	0	100
Asset Strategy	1,819	0	0	0	0	1,819
Asset Strategy - Wombourne development	2,400	0	0	0	0	2,400
Asset Strategy - Unit4E Four Ashes	2,520	0	0	0	0	2,520
Total	**6,904**	**335**	**55**	**45**	**170**	**7,509**
Welfare Services						
Renovation and Disabled Facilities Grants	1,127	1,127	1,127	1,127	1,127	5,633
Total	**1,127**	**1,127**	**1,127**	**1,127**	**1,127**	**5,633**
Community Services						
Refuse Vehicles (new contract)	3,046	0	0	0	0	3,046
Waste Bins (new contract)	790	0	0	0	0	790
Leisure Centre Air Conditioning	13	0	0	0	0	13
Car park resurfacing	36	120	120	0	0	276
Leisure Centre equipment replacement	20	42	120	269	190	641
Street Scene & Baggeridge vehicles	35	90	374	53	0	551
Total	**3,940**	**252**	**614**	**321**	**190**	**5,318**
GRAND TOTAL	**11,971**	**1,714**	**1,796**	**1,493**	**1,486**	**18,460**

APPENDIX 4 – CABINET SUMMARIES

	2024/25	2025/26	2026/27	2027/28	2028/29
BUSINESS ENTERPRISE AND COMMUNITY INFRASTRUCTURE					
	£'000	£'000	£'000	£'000	£'000
Building Control					
Building Control	52	71	91	94	97
Total Building Control	**52**	**71**	**91**	**94**	**97**
Development Control					
Developmental Control	34	121	146	179	181
Total Development Control	**34**	**121**	**146**	**179**	**181**
Economic Development					
Economic Development	274	285	290	296	303
Total Economic Development	274	285	290	296	303
Enforcement					
Planning Enforcement	230	234	239	243	247
Total Enforcement	**230**	**234**	**239**	**243**	**247**
Land Charges					
Land Charges	(8)	(8)	(8)	(8)	(9)
Total Land Charges	(8)	(8)	(8)	(8)	(9)
Local Plan					
Energy Conservation	7	7	7	7	7
Local Plans	423	435	443	451	459
Total Local Plans	**430**	**441**	**449**	**457**	**465**
Localities					
Localities	129	132	133	134	137
Total Localities	129	132	133	134	137
Total Business Enterprise and Community Infrastructure	**1,140**	**1,275**	**1,340**	**1,395**	**1,421**

	2024/25	2025/26	2026/27	2027/28	2028/29
COMMUNITY SERVICES					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Baggeridge Country Park					
Baggeridge Country Park & Railway Walk	158	160	164	166	168
Total Baggeridge Country Park	**158**	**160**	**164**	**166**	**168**
Climate Change					
Climate Change	54	58	60	62	63
Total Climate Change	**54**	**58**	**60**	**62**	**63**
Landscape & Bereavement					
Cemetery	(241)	(260)	(270)	(268)	(291)
Total Landscape and Bereavement	(241)	(260)	(270)	(268)	(291)
Leisure Services					
Cheslyn Hay Leisure Centre	286	294	299	304	309
Codsall Leisure Centre	170	172	175	177	180
Facilities Development	259	264	268	272	277
Leisure Development Fund	0	0	0	0	0
Penkridge Leisure Centre	164	169	171	172	174
Wombourne Leisure Centre	84	83	84	83	82
Total Leisure Services	**963**	**981**	**996**	**1,008**	**1,023**
Recycling					
Recycling	121	123	125	127	129
Total Recycling	121	123	125	127	129
Refuse Collection					
Refuse Collection Client	3,393	3,592	4,593	4,696	4,800
Total Refuse Collection	**3,393**	**3,592**	**4,593**	**4,696**	**4,800**
Street Scene					
Car Parking	19	19	20	21	21
Environmental Improvements	7	7	7	7	7
Highways & Lighting	79	81	83	85	87
Land Drainage	4	5	5	5	5
Lane Green Depot	17	17	17	18	18
Street Scene	1,276	1,316	1,337	1,359	1,382
Total Street Scene	**1,403**	**1,445**	**1,468**	**1,493**	**1,520**
Community Services Assistant Director					
Community Services AD	103	106	108	111	113
Total Community Services Assistant Director	**103**	**106**	**108**	**111**	**113**
Total Community Services	**5,953**	**6,206**	**7,245**	**7,395**	**7,525**

	2024/25	2025/26	2026/27	2027/28	2028/29
CORPORATE SERVICES					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Accountancy & Financial Services					
Accountancy & Finance	649	667	680	694	707
Total Accountancy & Financial Services	**649**	**667**	**680**	**694**	**707**
Communications					
Communications	172	175	178	181	184
Total Communications	172	175	178	181	184
Community Safety					
Community Safety	31	31	31	31	31
Community Wellbeing & Partnership	71	73	75	76	78
Total Community Safety	**102**	**104**	**106**	**107**	**109**
Corporate Finance					
Corporate Finance	577	640	653	717	728
Total Corporate Finance	**577**	**640**	**653**	**717**	**728**
Corporate Leadership Team					
Chief Executive	184	189	193	197	201
Corp Director-Chief Operating Officer	142	146	149	152	155
Corp Director-Governance (Monitoring Officer)	126	131	133	136	139
Corp Director-Place & Communities	140	144	147	150	153
Director of Finance (S151)	129	133	136	138	141
Total Corporate Leadership Team	**721**	**743**	**758**	**773**	**788**
Elections					
Elections - District	10	10	10	220	10
Individual Electoral Reg (IER)	184	189	192	196	200
Total Elections	**194**	**199**	**202**	**416**	**210**
Human Resources					
Human Resources	375	382	391	401	411
Human Resources - Members Training	7	7	7	7	7
Human Resources - Training	84	86	88	90	92
Total Human Resources	**466**	**475**	**487**	**499**	**510**
Member Support					
Member Support	192	198	201	205	209
Members & Civic Expenses	387	398	406	414	422

	2024/25	2025/26	2026/27	2027/28	2028/29
CORPORATE SERVICES					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Monitoring Officer	14	14	14	14	14
Total Member Support	**593**	**610**	**621**	**633**	**645**
Pay and Pensions					
Pay and Pensions adjustments	620	717	774	766	757
Total Pay and Pensions	**620**	**717**	**774**	**766**	**757**
Policy					
Policy	121	127	132	137	142
Total Policy	**121**	**127**	**132**	**137**	**142**
Total Corporate Services	**4,215**	**4,456**	**4,590**	**4,921**	**4,780**

	2024/25	2025/26	2026/27	2027/28	2028/29
DIGITAL TRANSFORMATION AND ESTATE MANAGEMENT					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Community Hub					
Codsall Community Hub	1,175	1,198	1,219	1,239	1,260
Jubilee House	(8)	(8)	(8)	(7)	(7)
Surplus Office Accommodation	(601)	(605)	(606)	(609)	(609)
Total Community Hub	**566**	**585**	**605**	**623**	**644**
Customer Interaction					
Customer Interaction	377	391	398	405	413
Total Customer Interaction	**377**	**391**	**398**	**405**	**413**
Digital Services					
AD - Business Transformation	103	106	108	111	113
Digital Services	1,612	1,654	1,674	1,699	1,715
MFDs & Scanners	22	22	22	22	22
Telephony	137	140	143	144	144
Total Digital Services	**1,875**	**1,922**	**1,947**	**1,975**	**1,994**
Estates & Assets					
Commercial Units	(1,320)	(2,061)	(2,123)	(2,174)	(2,174)
Commercials Offices	(170)	(174)	(178)	(182)	(182)
Estates & Assets	378	388	397	406	415
Hinksford Park	(221)	(225)	(229)	(232)	(237)
Total Estates and Assets	**(1,333)**	**(2,071)**	**(2,132)**	**(2,182)**	**(2,178)**
Total Digital Transformation and Estate Management	**1,485**	**827**	**818**	**821**	**874**

REGULATORY	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Emergency Planning					
Emergency Planning	50	51	52	53	54
Total Emergency Planning	50	51	52	53	54
Environmental Health					
Dogs Kennelling & Collection	12	12	12	12	12
Environmental Health	721	741	755	769	783
Food Safety	(2)	(2)	(2)	(2)	(2)
Health & Safety Corporate	15	16	16	16	16
Health Licensing	(6)	(6)	(6)	(6)	(6)
Housing Standards	(10)	(10)	(10)	(10)	(10)
Licensing	(157)	(100)	(97)	(97)	(100)
Pollution	(10)	(10)	(10)	(10)	(10)
Total Environmental Health	**563**	**641**	**658**	**672**	**684**
Internal Audit					
Internal Audit	100	102	104	106	108
Total Internal Audit	**100**	**102**	**104**	**106**	**108**
Legal Shared Service					
Legal Shared Services	178	186	189	193	195
Total Legal Shared Service	**178**	**186**	**189**	**193**	**195**
Total Regulatory	**890**	**979**	**1,003**	**1,023**	**1,041**

WELFARE	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Benefits					
Benefits DWP	0	0	0	0	0
Benefits Team	685	710	730	749	772
Housing Benefits	95	120	120	120	120
Welfare - Other Support	225	232	237	242	246
Total Benefits	1,005	1,062	1,087	1,111	1,138
Housing Operations					
Housing Services	255	262	269	277	285
Total Housing Operations	**255**	**262**	**269**	**277**	**285**
Revenues					
Revenues	378	392	403	414	425
Total Internal Audit	**378**	**392**	**403**	**414**	**425**
Homelessness					
Homelessness Initiatives	0	0	0	0	0
Total Homelessness	**0**	**0**	**0**	**0**	**0**

	2024/25	2025/26	2026/27	2027/28	2028/29
WELFARE					
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Total Welfare	**1,637**	**1,716**	**1,759**	**1,802**	**1,848**

APPENDIX 5 – COUNCIL TAX RESOLUTION

FORM OF RESOLUTION TO APPROVE THE BUDGET AND SET THE COUNCIL TAX

COUNCIL TAX 2024/25

The Council is recommended to resolve as follows:

1. Resolved to recommend to Council that it pass the necessary resolution to determine the Council Tax relevant to each part of the District at this meeting, namely,

   a) that it be noted that at the meeting on the 20 February, 2024 the Council approved:

      (i) the revised revenue estimates for the year 2023/24 and the revenue estimates for 2024/25

      (ii) the revised capital programme for the year 2023/24 and the capital programme for 2024/25

      (iii) the following positive assurance statement from the Chief Finance Officer, under the terms of section 25 of the Local Government Act 2005: "I consider that the estimates that have been made as the basis for the calculations set out below are robust, and that the levels of financial reserves proposed are adequate."

2. That it be noted that the Council calculated:

   (a) the Council Tax Base 2024/25 for the whole Council area as [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] and,

   (b) for dwellings in those parts of its area to which a Parish precept relates as in the table below:

Parish of:	**Tax Base**
ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY	607.44
BILBROOK	1,632.44
BLYMHILL & WESTON- UNDER- LIZARD	351.21
BOBBINGTON	245.98
BREWOOD & COVEN	3,145.58
CHESLYN HAY	2,220.48
CODSALL	3,198.75
DUNSTON WITH COPPENHALL	269.10
ENVILLE	232.89
ESSINGTON	1,693.19
FEATHERSTONE	1,119.73
GREAT WYRLEY	3,392.78
HATHERTON	281.44
HILTON	48.35
HIMLEY	512.03
HUNTINGTON	1,280.01
KINVER	3,341.89
LAPLEY, STRETTON & WHEATON ASTON	1,052.10
LOWER PENN	483.54
PATTINGHAM & PATSHULL	1,017.78
PENKRIDGE	3,403.47
PERTON	3,465.66
SAREDON	307.59
SHARESHILL	311.52
SWINDON	486.05
TRYSULL & SEISDON	580.45
WOMBOURNE	5,232.59
	39,914.04

3. Calculate that the Council Tax requirement for the Council's own purposes for 2024/25 (excluding parish precepts) is £5,601,531.

4. That the following amounts be now calculated by the Council for the year 2024/25 in accordance with Sections 31 to 36 of the Act:

   (a) £44,121,651.25 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £35,726,404.67 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £8,395,246.58 being the amount by which the aggregate at 4 (a) above exceeds the aggregate at 4 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £210.33 being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (including Parish precepts).

(e) £2,793,710.21 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £140.34 being the amount at 4 (d) above less the result given by dividing the amount at 4 (e) above by Item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.

(g) in the following parts of the Council's area

Parish of:	**Band D**
ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY	192.20
BILBROOK	204.66
BLYMHILL & WESTON- UNDER- LIZARD	158.85
BOBBINGTON	163.31
BREWOOD & COVEN	201.28
CHESLYN HAY	247.63
CODSALL	202.73
DUNSTON WITH COPPENHALL	158.36
ENVILLE	173.75
ESSINGTON	226.59
FEATHERSTONE	240.13
GREAT WYRLEY	204.15
HATHERTON	246.11
HILTON	274.42
HIMLEY	163.78
HUNTINGTON	218.46
KINVER	190.31
LAPLEY, STRETTON & WHEATON ASTON	264.39
LOWER PENN	176.04
PATTINGHAM & PATSHULL	185.74
PENKRIDGE	231.42
PERTON	211.90
SAREDON	211.46
SHARESHILL	221.58
SWINDON	177.78
TRYSULL & SEISDON	205.20
WOMBOURNE	208.83

being the amounts given by adding to the amount at 4 (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the applicable amount at 2 (b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) in the following parts of the Council's area

	VALUATION BAND							
	A	B	C	D	E	F	G	H
PARISH COUNCILS	£	£	£	£	£	£	£	£
ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY	128.13	149.49	170.85	192.20	234.91	277.62	320.33	384.40
BILBROOK	136.44	159.18	181.92	204.66	250.14	295.62	341.10	409.32
BLYMHILL & WESTON-UNDER- LIZARD	105.90	123.55	141.20	158.85	194.15	229.45	264.75	317.70
BOBBINGTON	108.87	127.02	145.17	163.31	199.60	235.89	272.18	326.62
BREWOOD & COVEN	134.19	156.55	178.92	201.28	246.01	290.73	335.47	402.56
CHESLYN HAY	165.09	192.60	220.12	247.63	302.66	357.68	412.72	495.26
CODSALL	135.15	157.68	180.21	202.73	247.78	292.83	337.88	405.46
DUNSTON WITH COPPENHALL	105.57	123.17	140.77	158.36	193.55	228.74	263.93	316.72
ENVILLE	115.83	135.14	154.45	173.75	212.36	250.97	289.58	347.50
ESSINGTON	151.06	176.23	201.42	226.59	276.95	327.29	377.65	453.18
FEATHERSTONE	160.09	186.76	213.45	240.13	293.50	346.85	400.22	480.26
GREAT WYRLEY	136.10	158.78	181.47	204.15	249.52	294.88	340.25	408.30
HATHERTON	164.07	191.42	218.77	246.11	300.80	355.49	410.18	492.22
HILTON	182.95	213.43	243.93	274.42	335.41	396.38	457.37	548.84
HIMLEY	109.19	127.38	145.59	163.78	200.18	236.57	272.97	327.56
HUNTINGTON	145.64	169.91	194.19	218.46	267.01	315.55	364.10	436.92
KINVER	126.87	148.02	169.17	190.31	232.60	274.89	317.18	380.62
LAPLEY, STRETTON & WHEATON ASTON	176.26	205.63	235.02	264.39	323.15	381.89	440.65	528.78
LOWER PENN	117.36	136.92	156.48	176.04	215.16	254.28	293.40	352.08
PATTINGHAM & PATSHULL	123.83	144.46	165.11	185.74	227.02	268.29	309.57	371.48
PENKRIDGE	154.28	179.99	205.71	231.42	282.85	334.27	385.70	462.84
PERTON	141.27	164.81	188.36	211.90	258.99	306.07	353.17	423.80
SAREDON	140.97	164.47	187.97	211.46	258.45	305.44	352.43	422.92
SHARESHILL	147.72	172.34	196.96	221.58	270.82	320.06	369.30	443.16
SWINDON	118.52	138.27	158.03	177.78	217.29	256.79	296.30	355.56
TRYSULL & SEISDON	136.80	159.60	182.40	205.20	250.80	296.40	342.00	410.40
WOMBOURNE	139.22	162.42	185.63	208.83	255.24	301.64	348.05	417.66

being the amounts given by multiplying the relevant amounts as above by the number which, in the proportion set out in Section 5(i) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(i) that it be noted that for the year 2024/25 the Staffordshire County Council, the Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Fire Authority have stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwellings shown below:

	VALUATION BAND							
	A	B	C	D	E	F	G	H
PRECEPTING AUTHORITY	£	£	£	£	£	£	£	£
Staffordshire County Council	1,029.76	1,201.39	1,373.01	1,544.64	1,887.89	2,231.15	2,574.40	3,089.28
OPCC Staffordshire	182.38	212.78	243.17	273.57	334.36	395.16	455.95	547.14
Staffordshire Fire & Rescue Authority	57.85	67.49	77.13	86.77	106.05	125.33	144.62	173.54

j) that having calculated the aggregate in each case of the amount at 4 (h) and (i) above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act, 1992, hereby sets the following amounts as the amounts of council tax for the year 2024/25 for each of the categories of dwellings shown below:

	VALUATION BAND							
	A	B	C	D	E	F	G	H
PARISH COUNCILS	£	£	£	£	£	£	£	£
ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY	1,398.12	1,631.15	1,864.16	2,097.18	2,563.21	3,029.26	3,495.30	4,194.36
BILBROOK	1,406.43	1,640.84	1,875.23	2,109.64	2,578.44	3,047.26	3,516.07	4,219.28
BLYMHILL & WESTON-UNDER- LIZARD	1,375.89	1,605.21	1,834.51	2,063.83	2,522.45	2,981.09	3,439.72	4,127.66
BOBBINGTON	1,378.86	1,608.68	1,838.48	2,068.29	2,527.90	2,987.53	3,447.15	4,136.58
BREWOOD & COVEN	1,404.18	1,638.21	1,872.23	2,106.26	2,574.31	3,042.37	3,510.44	4,212.52
CHESLYN HAY	1,435.08	1,674.26	1,913.43	2,152.61	2,630.96	3,109.32	3,587.69	4,305.22
CODSALL	1,405.14	1,639.34	1,873.52	2,107.71	2,576.08	3,044.47	3,512.85	4,215.42
DUNSTON WITH COPPENHALL	1,375.56	1,604.83	1,834.08	2,063.34	2,521.85	2,980.38	3,438.90	4,126.68
ENVILLE	1,385.82	1,616.80	1,847.76	2,078.73	2,540.66	3,002.61	3,464.55	4,157.46
ESSINGTON	1,421.05	1,657.89	1,894.73	2,131.57	2,605.25	3,078.93	3,552.62	4,263.14
FEATHERSTONE	1,430.08	1,668.42	1,906.76	2,145.11	2,621.80	3,098.49	3,575.19	4,290.22
GREAT WYRLEY	1,406.09	1,640.44	1,874.78	2,109.13	2,577.82	3,046.52	3,515.22	4,218.26
HATHERTON	1,434.06	1,673.08	1,912.08	2,151.09	2,629.10	3,107.13	3,585.15	4,302.18
HILTON	1,452.94	1,695.09	1,937.24	2,179.40	2,663.71	3,148.02	3,632.34	4,358.80
HIMLEY	1,379.18	1,609.04	1,838.90	2,068.76	2,528.48	2,988.21	3,447.94	4,137.52
HUNTINGTON	1,415.63	1,651.57	1,887.50	2,123.44	2,595.31	3,067.19	3,539.07	4,246.88
KINVER	1,396.86	1,629.68	1,862.48	2,095.29	2,560.90	3,026.53	3,492.15	4,190.58

	VALUATION BAND							
LAPLEY, STRETTON & WHEATON ASTON	1,446.25	1,687.29	1,928.33	2,169.37	2,651.45	3,133.53	3,615.62	4,338.74
LOWER PENN	1,387.35	1,618.58	1,849.79	2,081.02	2,543.46	3,005.92	3,468.37	4,162.04
PATTINGHAM & PATSHULL	1,393.82	1,626.12	1,858.42	2,090.72	2,555.32	3,019.93	3,484.54	4,181.44
PENKRIDGE	1,424.27	1,661.65	1,899.02	2,136.40	2,611.15	3,085.91	3,560.67	4,272.80
PERTON	1,411.26	1,646.47	1,881.67	2,116.88	2,587.29	3,057.71	3,528.14	4,233.76
SAREDON	1,410.96	1,646.13	1,881.28	2,116.44	2,586.75	3,057.08	3,527.40	4,232.88
SHARESHILL	1,417.71	1,654.00	1,890.27	2,126.56	2,599.12	3,071.70	3,544.27	4,253.12
SWINDON	1,388.51	1,619.93	1,851.34	2,082.76	2,545.59	3,008.43	3,471.27	4,165.52
TRYSULL & SEISDON	1,406.79	1,641.26	1,875.71	2,110.18	2,579.10	3,048.04	3,516.97	4,220.36
WOMBOURNE	1,409.21	1,644.08	1,878.94	2,113.81	2,583.54	3,053.28	3,523.02	4,227.62

5. Determine that the Council's basic amount of Council Tax for 2024/25

is **not excessive** in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

COUNCIL TAX RESOLUTION
EXPLANATORY NOTES

Paragraph 2 refers to the Council Taxbase at Band D at 2(a) and to the taxbase at Band D for each parishes at 2(b).

Paragraph 4 (a) refers to the total spending to be met from Council Tax and Exchequer support, in respect of Parish and District Services.

Paragraph 4 (b) refers to the income, grossed up from the approved estimates, to be deducted from the expenditure at 4 (a) to arrive at:-

Paragraph 4 (c) which is the net sum to be met from Council Tax and Exchequer support, in respect of District and Parish Services.

Paragraph 4 (d) is the average Council Tax at Band D for District and Parish Services.

Paragraph 4 (e) is the total of the Parish precepts.

Paragraph 4 (f) is the Council Tax for District services only.

The Table at 4 (g) shows the Council Tax applicable to Band D for each Parish, for District and Parish services.

The Table at 4 (h) shows the Council Tax applicable to each band, for each parish, for District and Parish services.

Paragraph 4 (i) shows the Council Tax for each band to be added to meet the precepts of Staffordshire County Council, Staffordshire Police and Staffordshire Fire and Rescue Service.

Paragraph 4 (j) gives the total amount to be raised for all services by parish and by band.

APPENDIX 6 - SECTION 151 STATEMENT ON THE ADEQUACY OF RESERVES AND ROBUSTNESS OF THE BUDGET

1. I am making this report in compliance with the personal responsibilities placed upon me as Chief Finance Officer by sections 25 to 28 of the Local Government Act 2003. The legislation requires me to report to the authority on two matters.

   - The robustness of the estimates it makes when calculating its budget requirement; and

   - The adequacy of the authority's reserves, taking into account the experience of the previous financial year.

This report fulfils this requirement and provides councillors with assurance that the budgets have been compiled appropriately and that the levels of reserves is adequate. It is a statutory requirement that councillors must consider this report when considering and approving a budget.

Robustness of Estimates

2. I have led and been actively involved in the process of setting the 2024/25 budget and MTFS and am assured that this has been detailed and robust.

3. The detailed budget preparation was overseen by an experienced qualified accountant, supported by other finance staff, familiar with the requirements of the budget preparation process. The basis of the estimates included the following elements which are in my view crucial to setting realistic budgets.

   - Staffing budgets are built up based on the actual staffing establishment and its current costs.
   - The budgets reflect, as far as can be determined, costs of major contracts including likely cost increases.
   - The budgets are informed by the results of the 2023/24 budget monitoring and incorporates the impact of any issues affecting future years.
   - The budget identifies the on-going cost of Council decisions taken where the financial impact has been quantified.

4. The detailed budgets have been scrutinised by:
   - Service Team Managers;
   - Corporate and Assistant Directors;
   - Cabinet members; and the
   - Overview and Scrutiny Committee

5. In particular, proposals for growth and savings have been carefully reviewed in order to be satisfied of their robustness and for their relationship to the priorities of the Council. The budget does not contain any unspecified or unrealistic savings proposals or

contingencies. However, the budget is balanced by the use of reserves and more work needs to be done in order to be financially secure over a 5-year period.

6. The budgets have been assessed as part of the authority's approach to risk management and the major financial risks identified. These risks are outlined in section 11 of the main body of the MTFS report.

Conclusion - Robustness of estimates

7. Taking all these factors into account, I am satisfied that the estimates have been prepared on a robust basis.

Adequacy of Reserves

8. The Chartered Institute of Finance and Accountancy (CIPFA) has produced guidance on local authority reserves and balances. This guidance does not prescribe a minimum level of reserves but sets out that the following factors are considered when assessing this:

Budget assumptions	Considerations for the Council
The treatment of inflation and interest rates	The current economic position has been considered and information from our treasury advisors (Link) has been used.
Estimates of the level and timing of capital receipts	The Capital Programme includes an estimate of the profile of use of current capital receipts. No assumption has been made of new capital receipts.
The treatment of demand led pressures	All demand led services have been considered and increases in budgets included in RPP process where appropriate. Examples are the Waste Contract and Baggeridge Country Park staffing.
The treatment of efficiency savings/productivity gains	There are currently no efficiency savings built into the budget.
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	Not applicable.
The availability of other funds to deal with major contingencies	The Council currently has £6.9m set aside in Earmarked Reserves, of which £3.4m is to cover major contingencies such as temporary accommodation pressures and business rates volatility.

Financial standing and management	Considerations for the Council
The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates)	Council Tax collection rates are good in the authority (approximately 98%). Levels of debt are reducing (although older debts are still a concern and investment has been made in additional temporary staff to address this). The Council's level of borrowing appears high in external indices such as OFLOG but this is due to long-term borrowing that was taken out at a low rate and is not a concern internally.
The authority's track record in budget and financial management	The Council has maintained expenditure within budget for the last three financial years and is forecast to do the same in 2023/24. There are no concerns about the financial management processes within the Council.
The strength of financial information and reporting arrangements	Budget monitoring is reported to the Corporate Leadership Team and Members on a quarterly basis as part of the Integrated Performance Monitoring report.
The authority's virement and end of year procedures in relation to budget under/overspends at authority and service team level	The Council currently does not have set procedures for the treatment of over/underspends at year-end. The level at which virements are approved is set out within the Council's financial procedures.
The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The insurance cover for the Council has been considered and is judged to be sufficient. There is also an Earmarked Reserve to cover items below the excess included in the insurance policy.

9. Considering the above, and my assessment of the robustness of the estimates in the budget, I recommend that a minimum prudent level of reserves continue to be set at £1.5m for 2024/25, which is to be reviewed annually. This minimum level of reserves has also been benchmarked against other similar authorities and is in line with the minimum levels set by those authorities which provides further assurance.

10. At the start of the financial year 2023/24 the Council's General Fund reserves stood at £8.672m million. This is above the minimum level of £1.5m. However, this is being used across each year of the MTFS to balance the budget. This level of reserves allows the Council time to plan for the potential impacts of funding reform in future years and is not deemed to be excessive.

Adequacy of reserves conclusion

11. I am currently of the opinion that, because of our record of prudent spending, careful budgeting and effective budgetary control, the adequacy of the Council's reserves is sufficient, and the minimum level of General Fund reserves can be maintained above £1.5m until the end of 2026/27. However, if the Council is unable to benefit from the Business Rates growth arising from the development of WMI and ROF Featherstone, alternative actions will need to be considered to close the budget gap in future years.

Rebecca Maher, Director of Finance (Section 151 Officer)

John Mayhew, Finance Team Manager (Deputy Section 151 Officer)

APPENDIX 7 – EARMARKED RESERVES

Description	Balance at 31/3/23	23/24 increase / (decrease)	Proposed Transfer 23/24	Projected Balance at 31/3/24
	£'000	£'000	£'000	£'000
Corporate Priorities				
Section 106 ●	295			**295**
Forward Planning	48		-16	**32**
Transactional Services	162	-20		**142**
Pay and Inflation Uncertainty Reserve	474	-16		**458**
Climate Change	26			**26**
Insurance	47			**47**
Collection Fund Reserve	2,471	379	-1,000	**1,850**
Business Rates Pool Surplus	922		-300	**622**
Total Corporate Leadership Team	**4,445**	**343**	**-1,316**	**3,472**
Regulatory Services				
Legal Shared Services	70			**70**
Total Regulatory Services	**70**	**0**	**0**	**70**
Corporate Services				
Rural Transport ●	15			**15**
Community Cohesion Project ●	2			**2**
PCC and ASB Grant Income ●	13	21		**34**
Covid Shielding Grant ●	58	-2		**56**
Localities PCC Funding ●	16			**16**
Human Resources	29			**29**
Electoral Registration	30			**30**
Elections Act	19	-19		**0**
Comms Team - Apprentice	29			**29**
Redmond Review	19			**19**
Apprentices	20	-20		**0**
A&FS Efin Upgrade	19		-19	**0**
Total Corporate Services	**269**	**-20**	**-19**	**230**
Digital Technology and Service Transformation				
Unit 4e Insurance ●	213			**213**
Community Lottery ●	10			**10**
Transformation Reserve			294	**294**
Transformation Projects	123	-8	-115	**0**
Commercial Opportunities Seed Funding	20			**20**
Sink Fund (Commercial Assets)	244	77		**321**
Reception Area Improvement	10		-10	**0**
ICT Mobile Communication	29			**29**
Sink Fund for Community HUB	6		-6	**0**
Capital Projects Contingency (Wombourne and Unit 4e)			300	**300**

Description	Balance at 31/3/23	23/24 increase / (decrease)	Proposed Transfer 23/24	Projected Balance at 31/3/24
Customer Experience Transformation	112	-112		**0**
Digital 2	111		-111	**0**
Total Digital Technology and Service Transformation	**878**	**-43**	**352**	**1,187**
Welfare Services				
New Burdens Fund ●	157	-12		**145**
Housing and Homelessness ●	182	-18		**164**
Temporary Accommodation			1,000	**1,000**
Customer Services CRM	49		-49	**0**
Total Welfare Services	**388**	**-30**	**951**	**1,309**
Community Services				
Leisure Grants ●	6			**6**
Gift in Will (Baggeridge) ●	60			**60**
Closed Churchyards ●		238		**238**
Track and Trace Payments ●	122			**122**
Leisure Development Fund	53	-33		**20**
Joint Use Repairs	107	-50		**57**
Wombourne Leisure Centre 3G Pitch Maintenance	25			**25**
Community Budgets – Jubilee	5		-5	**0**
Environmental Health – EDMS/IDOX	61			**61**
Tree Inspector	42	-21	-21	**0**
Ward Based Priorities		16	141	**157**
LDF Grant Income	35	-8		**27**
Total Community Services	**516**	**142**	**115**	**773**
Business Enterprise and Community Infrastructure				
UK Shared Prosperity ●	184			**184**
Local Plans	24			**24**
Development Management	103	-24		**79**
Local Plans – Self and Customer Build Housing Grant	20	-18		**2**
South Staffordshire Tourism Association	1			**1**
Land Registry and Biodiversity	93	-15	-78	**0**
Neighbourhood Grant	5		-5	**0**
Total Business Enterprise and Community Infrastructure	**430**	**-57**	**-83**	**290**
TOTAL EARMARKED RESERVES	**6,996**	**335**	**0**	**7,331**

SOUTH STAFFORDSHIRE COUNCIL

COUNCIL – 20 FEBRUARY 2024

CAPITAL STRATEGY 2024/25 – 2028/29

REPORT OF THE LEADER OF THE COUNCIL – COUNCILLOR ROGER LEES BEM

PART A – SUMMARY REPORT

1.0 SUMMARY OF PROPOSALS

1.1 The 2017 version of the CIPFA Prudential Code introduced the requirement for authorities to produce a capital strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets.

1.2 The last approved Capital Strategy covered the period from financial year 2022/23 to 2026/27.

1.3 Given the current uncertain economic climate, and the switch in external auditors to take effect from closure of the 2023/24 accounts it is prudent to approve an updated version to commence from the start of 2024/25 and to cover the period to 2028/29.

1.4 It is also noted that the current Council Plan expires in 2024. As the Capital Strategy necessarily follows the objectives of the Council Plan, this Capital Plan shall act as a holding document (to ensure we have a current plan in place) to be reviewed and updated as necessary alongside the approved, revised Council Plan (2024-28).

2.0 RECOMMENDATIONS

2.1 It is recommended that Members approve the attached Capital Strategy 2024/25 to 2028/29.

2.2 It shall be noted that the document will be further revised (if necessary) further to the approval and publication of the Council Plan (2024-28)

3.0 SUMMARY IMPACT ASSESSMENT

<table>
<tr><td rowspan="4">POLICY/COMMUNITY IMPACT</td><td colspan="2">Do these proposals contribute to specific Council Plan objectives?</td></tr>
<tr><td>Yes</td><td>The Capital Strategy is informed by Council Plan objectives and targets</td></tr>
<tr><td colspan="2">Has an Equality Impact Assessment (EqIA) been completed?</td></tr>
<tr><td>No</td><td>This report does not impact on equality issues</td></tr>
<tr><td>SCRUTINY POWERS APPLICABLE</td><td colspan="2">The Capital Strategy is for Council approval</td></tr>
<tr><td>KEY DECISION</td><td colspan="2">No</td></tr>
<tr><td>FINANCIAL IMPACT</td><td>Yes</td><td>The report ensures that the Capital Strategy of the Council, including future acquisitions and maintenance can be afforded and financed within the constraints of the MTFS.</td></tr>
<tr><td>LEGAL ISSUES</td><td>Yes</td><td>Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs.

The 2017 version of the CIPFA Prudential Code introduced the requirement for authorities to produce a capital strategy.</td></tr>
<tr><td>OTHER IMPACTS, RISKS & OPPORTUNITIES</td><td>No</td><td></td></tr>
<tr><td>IMPACT ON SPECIFIC WARDS</td><td>No</td><td>All Wards</td></tr>
</table>

4.0 BACKGROUND INFORMATION

4.1 The Appendix to this report includes the drafted Capital Strategy for the Council for 2024/25 to 2028/29.

4.2 The Capital Strategy needs to align and be consistent with the Council Plan. The current approved Plan (2020-24) will in due course be superceded. If necessary, an updated Capital Strategy will be drafted for Member approval to reflect priorities within the new Council Plan (2024-28) when the latter is adopted.

5.0 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

Not applicable

6.0 PREVIOUS MINUTES

Not applicable

7.0 BACKGROUND PAPERS

- Draft MTFS 2022/23 to 2026/27

Report prepared by

John Mayhew Finance Team Manager and Interim Section 151 Officer
Rebecca Maher, Finance Director and Section 151 Officer

SOUTH STAFFORDSHIRE COUNCIL

CAPITAL STRATEGY

2024/25 – 2028/29

Document Contents

1. Background and Scope

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management contribute to the achievement of corporate objectives. The Prudential Code has been updated to incorporate changes which restrict councils using borrowing to finance commercial property investment for the sole purpose of generating financial returns. This strategy is fully compliant with these requirements.

1.2 The Council Plan 2020-24 is the primary strategic document of the Council. The Capital Strategy is to be viewed as the means through which Capital Assets can be best acquired, maintained and disposed of in order to contribute towards the aims and objectives within the Council Plan.

1.3 The Council Plan is delivered through the two priority areas, each with five key objectives as set out below:

Priority Area 1 - Prosperous communities:

- Provide business friendly services through locality community hubs to enable businesses to set up and grow.
- Attract inward investment.
- Deliver economic growth through property acquisitions and commercial developments.
- Support Economic growth through quality planning management.
- Provide support to people to overcome barriers to employment.

Priority Area 2 - Vibrant communities:

- Improve the health and wellbeing of people by providing excellent leisure facilities.
- Provide a quality environment that we can all be proud of.
- Work with our communities and developers to bring forward new housing opportunities.
- Lead, engage and support our communities through the locality + programme.
- Utilise digital technology to enhance resident access and achieve service efficiencies.

1.4 **Each of the objectives is supported by the delivery of five key delivery arms:**

- Financial stability
- Embracing technology
- Flexible and skilled council
- Working with our communities
- To create a business and community hub.

2. The Capital Strategy

2.1 As mentioned above, the aim of Capital Strategy is to ensure that the Council manages the acquisition, maintenance and disposal of its Capital Assets to best achieve the aims of the Council Plan.

2.2 In addition to the Council Plan, the Capital Strategy is also closely linked to the following documents.
Approved Medium Term Financial Strategy (MTFS) Link to MTFS
Approved Treasury Management Support Strategy Link to TMSS
Detailed Asset Management Plan

2.3 All Capital activity will be fully compliant with the CIPFA Prudential Code.

2.4 The detailed application of this Capital Strategy shall ensure that:

- Property acquisitions and commercial developments to deliver economic growth, are properly appraised, budgeted and financed to ensure Council Plan objectives are achieved.
- Capital acquisitions that do not clearly meet economic objectives can demonstrably achieve other objectives listed in the Council Plan.
- The proper maintenance of the capital asset base is considered in the medium term and appropriately budgeted for and financed.
- Processes exist for the ongoing appraisal of the asset base and a rigorous methodology applied should any decision be required in relation to disposal.
- The required budget and financing in relation to all capital decisions is fully incorporated into the Medium Term Financial Strategy (MTFS).

3. Economic and Political Context

3.1 On 22 November 2023, the Chancellor of the Exchequer delivered the Autumn Statement.

3.2 Within the Autumn Statement, it was reported that the OBR is forecasting:

- The economy to grow more slowly over the forecast period, leaving the level of real GDP only 0.5% higher in the medium term than the March forecast.
- Inflation is expected to be more persistent and domestically fuelled than previously thought, falling below 5%by the end of this year but not returning to its 2%target until the first half of 2025.
- Markets now expect interest rates to remain higher for longer to bring inflation under control.

3.3 The implications of the latest economic conditions above for the application of the Capital Strategy are as follow:

- Capital acquisitions can be viewed as carrying potentially more risk (in the short term) if demand for rented industrial properties reduces.
- Capital developments and maintenance of assets may be impacted adversely by ongoing high inflation.
- The cost of capital remaining high may make new acquisitions unattractive as returns from relatively risk free treasury investments may be higher better. In the medium term however, if the purchase price of capital acquisitions lowers future purchases may present more attractive yields.

3.4 Public finances are expected to remain tight and there can be little expectation of significant, new capital resources becoming available through the Financial Settlement for 2024/25.

3.5 However, wider policy agendas remain including the Shared Prosperity Fund and Net-Zero ambitions. The achievement of these targets will require local authority partnership with other stakeholders and is also addressed within this Capital Strategy.

4. Capital Programme

4.1 The Capital Programme is the budget ascribed to each approved Capital scheme.

4.2 Affordability constraints materialise in two forms, namely the revenue impact of capital expenditure and / or the financing of the Capital Programme itself. The latter is detailed in Appendix 3.

4.3 The revenue impact of each item within the Capital Programme should be fully incorporated within the business case prepared for decision.

4.4 The costs to the Medium Term Financial Strategy will be through an interest charge (either incurred, or if internal resources used, interest receipt foregone) and (unless revenue resources directly applied), a minimum revenue provision (MRP). The latter is intended to meet the capital costs of the asset through the revenue budget across the assumed lifespan of the asset.

4.5 If there are assumed economic benefits arising from the capital expenditure, the additional income streams (or potentially cost savings) would also be factored into the MTFS. If the primary purpose of the spend is commercial, there would be an expectation over the medium term that these benefits should exceed costs in order for the proposal to proceed for incorporation in the capital programme.

4.6 If the development is not commercial in nature but is instead envisaged to contribute towards wider aims of the Council Plan, then it is still important that the impact across all years of the MTFS is transparent and that the intended advantages (non-financial) are justified this increase in costs.

5. Capital Acquisitions

5.1 The Council Plan makes explicit reference to deliver economic growth through property acquisitions and commercial developments. This strategy has to date produced an economic yield of benefit to the MTFS as well as enhancing investment in the wider South Staffordshire economy.

5.2 The CIPFA Prudential Code refers to such capital expenditure as ‘undertaking investments for commercial purposes’. It is acknowledged that the primary purpose is to make a financial return which will in due course enhance the long term affordability of the MTFS.

5.3 The Prudential Code does not discourage local authorities from making such investments but requires councils to acknowledge the additional risk involved and ensure that such acquisitions are subject to enhanced decision making and scrutiny.

5.4 As a minimum, due diligence shall take full account of prevailing interest rates to ensure that the expected return from the investment can make a positive contribution to the MTFS on a net present value basis.

5.5 The accounting rate of return and payback period shall also be considered in understanding that risk associated in relation to investments for a return, increases across longer time horizons, even if the NPV shows a positive return. Factors such as any inherent optimism bias (both in terms of costs incurred and time factors for completion and commencement of revenue streams) should be taken into account.

5.6 The decision to acquire an investment property shall follow the following approval process:

- CLT (Outline Business Case)
- CLT (Full Business Case)
- Cabinet
- Asset Scrutiny Panel for decision

5.7 Noting that achieving a commercial return is the primary, but not the sole reason for undertaking the investment, the final decision shall not be solely determined by the outcome of the financial appraisal but shall fully consider:

- All forecast costs and income streams
- Due assessment of risk and consequence (including any optimism bias)
- Other competing priorities
- Non-financials that also impact upon the Council Plan.

6. Asset Maintenance

6.1 It shall be explicitly acknowledged within the Asset Strategy that if an asset is worth acquiring and/or holding, it should be maintained in good condition in order to ensure that it continues to meet the aims of the Council Plan.

6.2 The methods by which this is achieved shall be:

- All assets are included in the schedules forwarded to the Council's insurers at up to date replacement cost value to insure against material loss due to insurable events.

- Revenue budgets are held to ensure ongoing maintenance can be delivered.
- Asset condition register is maintained to establish a programme of major works to be undertaken to a proscribed timetable.
- A sink fund is established, funded via revenue and incorporated into the MTFS. Major works when undertaken according to timetable shall be funded via this reserve.
- The adequacy of the sink fund is reviewed alongside the proposed programme of major works as an integral part of the budget setting and MTFS process each financial year.

7. Asset Disposal

7.1 An asset shall be considered for disposal if it is deemed that:

- Financial returns are no longer being achieved (and there is no medium term prospect of such returns being achieved) in line with the original business case.
- Wider economic benefits to the organisation and wider objectives within the Council Plan are not being met by retaining the asset.
- There is an active market for the asset and a potential purchaser (or purchasers) has been identified.
- The opportunity to contribute to the priorities in the Council Plan is better achieved through realising the value of the asset.

7.2 The process for deciding upon disposing an asset will mirror that to acquire an asset and therefore will comprise of:

- CLT (Outline Business Case)
- CLT (Full Business Case)
- Cabinet
- Asset Scrutiny Panel for decision

8. Climate Change

8.1 With a number of council's declaring a 'Climate Emergency', councils are taking urgent action in their local areas with partners and their local communities to combat the negative impacts of climate change and to deliver net zero carbon by 2050.

8.2 South Staffordshire Council has established a specific Earmarked Reserve with a view to developing its sustainability agenda and encouraging investment in initiatives progressing towards net zero.

8.3 The Climate Change strategy will increasingly play an important role in the Council Plan and Capital Strategy, and it will be important that sustainability considerations are incorporated into all outline business cases for capital acquisitions and disposals.

8.4 The Council's maintenance programme for its asset base shall also take into account climate change considerations.

9. Conclusions

9.1 The Capital Strategy of the Council is an important document outlining the objectives by which the Council undertakes its capital expenditure and maintains (or disinvests from) its asset base.

9.2 The Capital Strategy is also closely aligned to and is informed by other key strategic documents of the Council including (but not necessarily limited to):

- Council Plan
- Treasury Management Strategy
- Medium Term Financial Strategy (MTFS)
- Asset Management Plan

9.3 The Capital Strategy shall be reviewed on an annual basis and approved by Full Council alongside the MTFS.

9.4 Cabinet will also receive a report on performance against the Council Plan alongside the provisional outturn report when the draft Statement of Accounts (pre-audit) is published.

Appendix 1 – Existing Asset Base

Table 1: Analysis of Council Assets as at 31/3/2023

Description	Industrial Premises	Codsall Community HUB	Digital Technology	Lane Green Depot	Other	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Land and Buildings	28,994	9,523	0	272	3,655	**42,444**
Vehicles/Equipment	0	791	178	253	627	**1,849**
Infrastructure	0	0	0	107	0	**107**
Community Assets	0	0	0	0	1,369	**1,369**
Surplus Assets	0	0	0	0	51	**51**
Heritage Assets	0	0	0	0	122	**122**
	28,994	**10,314**	**178**	**632**	**5,824**	**45,942**

Appendix 2 – Capital Programme

Table 2 below details the current (2023/24) Capital programme of the Council.

Table 2, Capital Programme

Capital Programme	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Services						
Asset Strategy	4,359					4,359
Asset Strategy – Wombourne Redevelopment	3,173					3,173
Restoration of Unit 4E Fire Damaged	3,260					3,260
I-Trent Upgrade	20					20
Community Hub – Driveway	30					30
Capital Programme Contingencies	220					220
Total Corporate Services	**11,062**	**0**	**0**	**0**	**0**	**11,062**
Digital Transformation and Estate Management						
Replacement of workstations	160	45	45	45	45	340
Civica Licences	60					60
Digital Services	150		290	10		450
Total Business Transformation and Estate Management	**370**	**45**	**335**	**55**	**45**	**850**
Welfare Services						
Renovation & Disabled Facilities Grant	1,935	1,126	1,126	1,126	1,126	6,439
Total Welfare Services	**1,935**	**1,126**	**1,126**	**1,126**	**1,126**	**6,439**
Community Services						
Street Scene Fleet	166					166
Refuse Vehicles New Contract		3,046				3,046
Waste Bins	10	790				800
Ten Year Leisure Cardiovascular renewal	97					97
Leisure Centre Indoor Cycling Renewal	12					12
Leisure Centre Resistance Equipment	70					70
Leisure Centre Air Conditioning	28					28
Leisure Centre Refurbishment	961					961
Wombourne Leisure Centre 3G Pitch	69					69
Total Community Services	**1,413**	**3,836**				**5,249**
Planning and Business Enterprise						
Regional Housing Board	126					126
Total Planning and Business Enterprise	**126**	**0**	**0**	**0**	**0**	**126**
GRAND TOTAL	**14,906**	**5,007**	**1,461**	**1,181**	**1,171**	**23,726**

Future acquisitions and capital developments that are approved are added to the Capital Programme.

Appendix 3 – Financing the Capital Programme

Table 3 below details how the Capital Strategy in Appendix 2 is financed.

Table 3, Financing the Capital Programme

	Capital Financing					
	2023/24	2024/25	2025/26	2026/27	2027/28	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Borrowing	7,860	3,836	290	10	0	**11,996**
Capital Grants	2,062	1,126	1,126	1,126	1,126	**6,566**
Capital Receipts	1,558	45	45	45	45	**1,738**
Leasing	166	0	0	0	0	**166**
Insurance	3,260	0	0	0	0	**3,260**
Total	**14,906**	**5,007**	**1,461**	**1,181**	**1,171**	**23,726**

If the purpose of the budgeted Capital Programme is to ensure affordability in relation to the Medium Term Financial Strategy, the financing is focussed on cash flow. In essence it can be seen as providing the assurance that cash commitments that arise from completing the Capital Programme can be met as they fall due, whether in payments to contractors, developers or any other stakeholders to whom monies are owed.

The upper constraint on financing is the borrowing limit which is set by Members further to recommendation by the Audit and Risk Committee and is contained within the Treasury Management Strategy.

Borrowing can be undertaken from a number of approved sources including the Public Works Loans Board.

Other common sources of borrowing include:

- Other local authorities
- Commercial Banks
- Internal borrowing (ie use of our own cash reserves)

The use of own cash reserves does come at a cost as whilst no interest rate is paid out on the borrowing, there is a loss of income in terms of interest foregone had the cash reserves been invested.

Capital Grants are monies received (usually but not necessarily from central government). In the table above the grants shown relate entirely to the Disabled Facilities Grant. This aspect of the Capital Programme therefore has a neutral impact on the MTFS and associated costs of financing.

The Prudential Code details the constraints imposed upon local authorities for applying Capital Receipts as financing for capital projects.

Entering into finance or operating leases are alternative methods of acquiring assets for use as opposed to outright purchase. Whilst none currently planned for in the Capital Programme this is an option for consideration if available. Accounting treatment would be as per the Accounting Standard IAS16.

The appropriate vehicle for financing should be an integral part of an approved business case.

SOUTH STAFFORDSHIRE COUNCIL

COUNCIL – 20 FEBRUARY 2024

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2024/25 – 2028/29

REPORT OF THE DIRECTOR OF FINANCE (AND SECTION 151 OFFICER) AND FINANCE TEAM MANAGER (AND DEPUTY SECTION 151 OFFICER)

LEAD CABINET MEMBER – COUNCILLOR ROGER LEES BEM, LEADER OF THE COUNCIL

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

1.1 The Council is required to annually approve a Treasury Management Strategy that, in light of the Council's approved budget, establishes investment and borrowing policies for the Council for the current and future financial years. The Strategy also includes the Council's Prudential Indicators and sets out the expected treasury operations for the period 2024/25 – 2028/29. Prudential Indicators are designed to demonstrate that the Council has a prudent, affordable and sustainable approach to financing its capital spending plans. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Appendix A):
- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also Appendix A);
- The **Treasury Management Strategy** which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix A:
- The **Investment Strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the sector's Investment Guidance and also shown in Appendix A.

2. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	Maximising investment income whilst managing risks and minimising borrowing costs helps to support the council's overall financial position and therefore the delivery of all policy objectives.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The setting of a Treasury Management Strategy does not impact on equalities.
SCRUTINY POWERS APPLICABLE	No (Council decision)	
KEY DECISION	No (Council decision)	
FINANCIAL IMPACT	Yes	Where appropriate these are detailed in the body of the report.
LEGAL ISSUES	Yes	The Council's Treasury Strategy has to comply with the relevant statue, codes and guidance which are set out both in the main body of this report and Appendix A. The Finance Director (Section 151 Officer) has responsibility for the administration of the financial affairs of the Council. In providing this report the Finance Director is meeting one of the key responsibilities of the post.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.
IMPACT ON SPECIFIC WARDS	No	

PART B – ADDITIONAL INFORMATION

3.1 The Prudential Code operates by the provision of prudential indicators which highlight particular aspects of capital expenditure planning. Each indicator has been updated and provided for the next three years and included in Appendix A section 2. This is in accordance with the Prudential Code which requires that the Council approves as a minimum, certain mandatory prudential indicators.

3.2 The purpose of the indicators is to provide a framework for capital expenditure decision-making. It is intended to highlight, through the prudential indicators, the level of capital expenditure, the impact on investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.

3.3 The Treasury Management Strategy outlined in detail in Appendix A sets the Council's **operational boundary limit** for external debt at £42 million and the **authorised limit** at £45 million. These limits are based on prior years spend on the capital programme as well as the planned capital programme for 2024/25 onwards of £18.460 million subject to approval by Council on 20 February 2024. Should these plans change, these limits will be revisited.

3.4 Within this overall capital expenditure framework there is a clear impact on the Council's treasury management activity through the application of investment balances. As a consequence, the Treasury Management Strategy for 2024/25 is also included at Appendix A (section 3) to the report to draw out the expected treasury activity. This report also includes the treasury prudential indicators. The production of the Treasury Management Strategy covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the sector's MRP and Investment Guidance.

3.5 The Treasury Management Strategy requires the formulation of an Annual Investment Strategy. In accordance with guidance, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The detailed criteria utilised are included in Appendix B.

3.6 Security, Liquidity and Yield has always been at the forefront of the councils thinking when making investment decisions, however we will now also consider non-financial factors when making investment decisions, these include any ethical considerations as well as any environmental, social and governance (ESG) factors, this is detailed further in Appendix A 4.1.

3.7 The above policies and parameters provide an approved framework within which officers undertake the day-to-day capital and treasury activities.

3.8 It should be noted that this strategy is closely aligned to the Council's Capital Strategy with the Capital Programme being the main determinant of the council's borrowing need.

3.9 It should also be noted that at the time of writing this report, there are various geo-political events taking place both nationally and internationally that are impacting financial markets. The impacts of these are continuously monitored and any political or economic shocks that require any adjustment to the Treasury Management Strategy will be reported back to the Audit and Risk Committee and Council at a later date.

4. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

4.1 None identified.

5. PREVIOUS MINUTES

5.1 Not Applicable

6. BACKGROUND PAPERS

Appendix A - Treasury Management Strategy and Capital Prudential Indicators 24/25 – 28/29
Appendix B - Credit and Counterparty Risk Management
Appendix C - Approved Countries for Investment
Appendix D - Treasury Management Scheme of Delegation
Appendix E – Prospect for Interest Rates & Economic Background

7. RECOMMENDATIONS

7.1 That Members approve each of the five key elements of this report.:

1) The Prudential Indicators and Limits for 2024/25 - 2028/29 contained within Appendix A of the report.
2) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraph 2.3) which sets out the Council's policy on MRP.
3) The Treasury Management Strategy 2024/25 - 2028/29 contained within Appendix A.
4) The Authorised Limit Prudential Indicator contained within Appendix A (para 3.2).
5) The Investment Strategy 2024/25 contained in the Treasury Management Strategy (Appendix A), and the detailed criteria (included in Appendix B)

Report by:
Rebecca Maher, Director of Finance and Section 151 Officer
John Mayhew, Finance Team Manager and Deputy Section 151 Officer

Treasury Management Strategy and Capital Prudential Indicators 2024/25 to 2028/29

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced revenue 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.

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA Prudential Code for Capital Finance in Local Authorities (the code) requires all local authorities to prepare a 'Capital Strategy'.

The Council's Capital Strategy (subject to approval by Council on 20th February 2024) builds upon the Council's Commercial Asset Strategy and Treasury Management Strategy to ensure that:

- Property acquisitions and commercial developments to deliver economic growth, are properly appraised, budgeted and financed to ensure Council Plan objectives are achieved.
- Capital acquisitions that do not clearly meet economic objectives can demonstrably achieve other objectives listed in the Council Plan.

- The proper maintenance of the capital asset base is considered in the medium term and appropriately budgeted for and financed.
- Processes exist for the ongoing appraisal of the asset base and a rigorous methodology applied should any decision be required in relation to disposal.
- The required budget and financing in relation to all capital decisions is fully incorporated into the Medium Term Financial Strategy (MTFS).

The aim of the Capital strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management reporting

Members receive for noting and approval, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

1. **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 (MRP) policy (how residual capital expenditure is charged to revenue over time);
   - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and an Investment Strategy (the parameters on how investments are to be managed).

2. **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.

Scrutiny - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit & Risk Committee who, in addtion to the above, also receive periodic Treasury Management reports. These update Committee members with the capital position and any necessary amendments to prudential indicators.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, the Code states that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury Management Consultants

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

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2028/29

The Council's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans. The capital expenditure forecasts to 2028/29 (which form part of the Capital Programme subject to approval by Council on 20 February 2024) are as follows:

Capital expenditure £000s	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Community Services	3,904	132	494	322	190
Digital Transformation & Estate Management	6,940	455	175	45	170
Welfare Services	1,127	1,127	1,127	1,127	1,127
Total	**11,971**	**1,714**	**1,796**	**1,494**	**1,486**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need (to be met either through internal funds or external borrowing).

Capital expenditure £000s	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Total	**11,971**	**1,714**	**1,796**	**1,494**	**1,486**
Financed by:					
Capital Receipts	178	335	55	45	170
Capital Grants & Other Contributions	1,127	1,127	1,127	1,127	1,127
Revenue	126	0	0	0	0
Total Internal Financing	**1,430**	**1,462**	**1,182**	**1,172**	**1,297**
Net External Financing Requirement	**10,541**	**252**	**614**	**322**	**190**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the 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 paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase 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.

Audit & Risk Committee is asked to recommend to Full Council that the following CFR projections are approved:

Capital Financing Requirement (CFR) £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital Financing Requirement (CFR)	**42,207**	**41,680**	**41,527**	**40,965**	**40,217**
Movement in CFR	9,975	-527	-153	-562	-748
Movement in CFR is represented by					
Net financing need for the year	10,541	252	614	322	190
Less MRP & other financing movements	-566	-779	-767	-884	-938
Movement in CFR	**9,975**	**-527**	**-153**	**-562**	**-748**

The above table shows that as a result of the Council's capital plans (as set out in 2.1) the CFR (which essentially is a measure of the Council's underlying borrowing need) will increase to £42.207m in 2024/25 before starting to reduce from 2025/26 as the planned capital spend slows down and MRP contributions are made.

2.3 Liability Benchmark

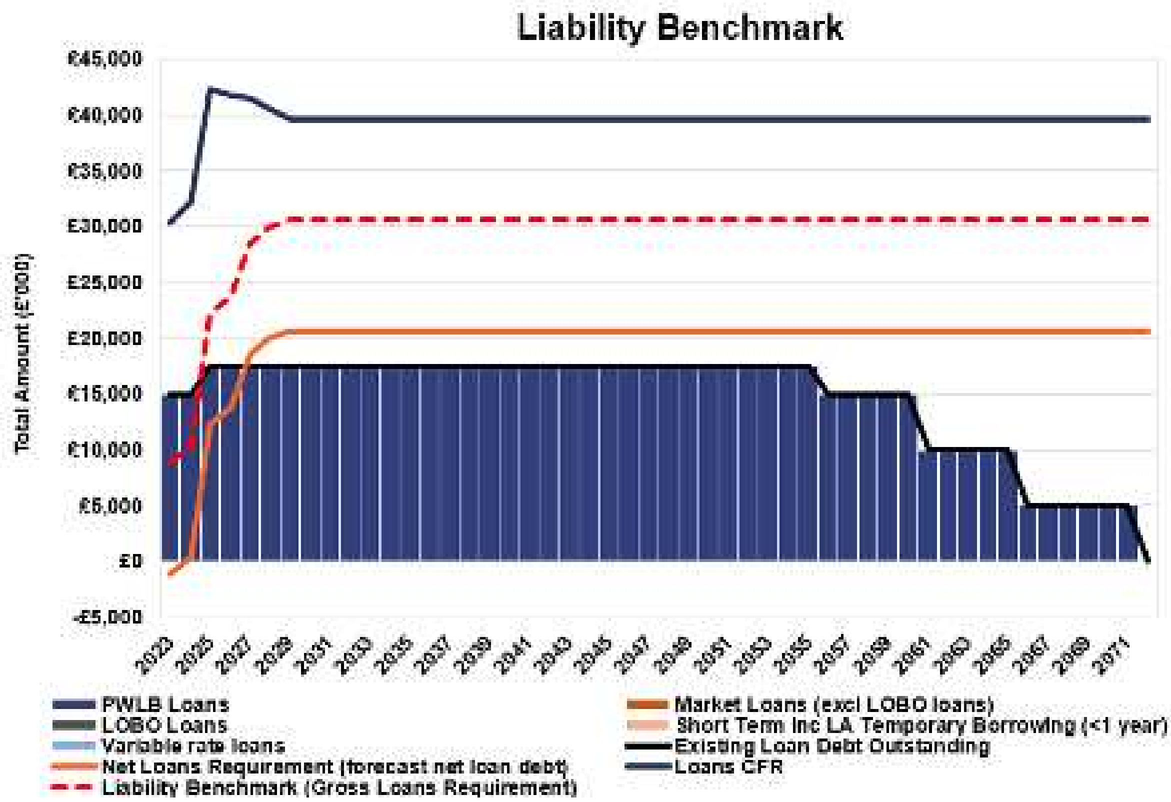
The third prudential indicator for 2024/25 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

Please note, CIPFA strongly recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of a local authority. In this case we havce produced a LB up to the point at which the authority becomes debt free in 2072.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

   Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.4 Core Funds (available to invest or cover the borrowing position)

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 prudent estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund Balance	6,207	5,028	2,199	-137	-2,038
Capital Receipts Reserve	1,883	1,548	1,493	1,448	1,278
Earmarked Reserves	5,709	5,709	3,709	3,709	3,709
Total Core Funds	**13,799**	**12,285**	**7,401**	**5,020**	**2,949**
Working Capital*	1,000	1,000	1,000	1,000	1,000
Total Core Funds Available to Invest	**12,799**	**11,285**	**6,401**	**4,020**	**1,949**

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). DLUHC regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure which in the future will be Supported Capital Expenditure, the MRP policy will be based on the CFR.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be based on the Asset life methodology:

- MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3).

This option provides for a reduction in the borrowing need over approximately the asset's life. Finance leases are applied to revenue 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 (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. At the date of this report the council has not made, nor has any plans to make, any VRP overpayments.

3 TREASURY MANAGEMENT

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

3.1 Current Portfolio Position

The current treasury position as at 31.12.23 and the estimated portfolio as at 31.03.24 are shown below for both investments and borrowing

Treasury Position £000s	Current 31.12.23	Estimated 31.03.24
Investments		
CCLA	11,000	2,000
Federated MMF	7,100	4,800
Internal Investments	5,000	5,000
Total Investments	**23,100**	**11,800**
External Borrowing		
PWLB	15,000	15,000
Total External Borrowing	**15,000**	**15,000**

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

External Debt £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt at 1 April	**15,000**	**15,000**	**17,500**	**17,500**	**17,500**
Expected change in Debt	0	2,500	0	0	0
Actual gross debt at 31 March	**15,000**	**17,500**	**17,500**	**17,500**	**17,500**
The Capital Financing Requirement	42,207	41,680	41,527	40,965	40,217
Under/(over) borrowing	**27,207**	**24,180**	**24,027**	**23,465**	**22,717**

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 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Finance Director reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future – as set out in the above table. This view takes into account current commitments, existing plans, and the proposals in the proposed MTFS.

3.2 Treasury Indicators: Limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and internally available funds.

Operational boundary £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	42,000	42,000	42,000	41,000	40,000
Other long-term liabilities	1,000	1,000	1,000	1,000	1,000
Total	**43,000**	**43,000**	**43,000**	**42,000**	**41,000**

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

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

Audit and Risk Committee is asked to recommend to Full Council that the following authorised limit is approved:

Authorised Limit £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	45,000	45,000	45,000	44,000	43,000
Other long-term liabilities	1,000	1,000	1,000	1,000	1,000
Total	**46,000**	**46,000**	**46,000**	**45,000**	**44,000**

In order to ensure that the Council has the overall scope to borrow, the Authorised Limit has been adjusted upwards to reflect the approved Capital Programme. This provides the flexibility to borrow, but not the obligation.

The authorised limit has been set at a level higher than the (net) external borrowing need in 3.1. This provides some headroom for changes in available funds/working balances.

It should be noted that these limits have been set based on the current planned capital programme. Should proposals come forward for additional capital items these limits would be reviewed and risks and rewards reconsidered.

3.3 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used.

The table below summarises the council forecast under-borrowing position.

Year End Resources £000s	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Under borrowing	27,207	24,180	24,027	23,465	22,717

The Finance Director will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances and projected forecasts of interest rate changes.

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be delayed or taken short term*.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Audit and Risk Committee at the next available opportunity.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments:
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates:
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Audit and Risk Committee is asked to recommend to Full Council that the following treasury indicators and limits are approved:

Interest Rate Exposures £000s	2024/25 Upper	2025/26 Upper	2026/27 Upper	2027/28 Upper	2028/29 Upper
Limits on fixed interest rates	45,000	45,000	45,000	44,000	43,000
Limits on variable interest rates	15,000	15,000	15,000	15,000	14,000

Maturity Structure of borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

Audit and Risk Committee is asked to recommend to Full Council that the following treasury indicators and limits are approved:

Maturity structure of variable interest rate borrowing 2024/25		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years and above	0%	50%

**Please note that this excludes other long term liabilities (leases)*

There are no limits to fixed rate borrowing which can be upto 100% of our debt portfolio.

3.4 Policy on Borrowing in Advance of Need

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

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

3.5 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the Audit & Risk Committee, at the earliest meeting following its action.

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).

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.

All rescheduling will be reported to the Audit & Risk Committee, at the earliest meeting following its action.

3.6 New financial institutions as a source of borrowing and / or types of borrowing

The Public Works Loans Board (PWLB) forms part of HM treasury, part of its function is to provide loans to local authorities in the UK, primarily to fund capital projects. The council has the ability to borrow from PWLB at the Certainty Rate, which is a rate set at 0.20% below its standard interest rate.

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both Housing Revenue Account (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).

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

3.7 Approved sources of long- and short-term borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – Management of risk

The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of assets regeneration, are covered in the Capital Strategy, (a separate report).

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Code Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

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

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

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix B under the categories of 'specified' and 'non-specified' investments.

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

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 40% of the total investment portfolio, (see Appendix B).

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in paragraph 4.2.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

It is also recognised that Security, Liquidity and Yield should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. In addition, there are other risks of material importance to the treasury portfolio from an ethical, environmental, social and governance perspective. It is important, therefore, to assess these categories as well and to understand if these create potential longer-term financial and reputational risks for the Council, and if there are any commonalities with the Council's key objectives in this regard. To this end, the Council will use information sources and its advisors as appropriate to assist it in scrutinising and understanding if these might affect the suitability of potential counterparties.

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

4.2 Creditworthiness policy

The Council has utilised and applied 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 warning of likely changes in credit ratings:
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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 suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

•	Yellow	5 years*
•	Dark Pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
•	Light pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5

•	Purple	2 year
•	Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
•	Orange	1 year
•	Red	6 months
•	Green	100 days
•	No colour	Not to be used

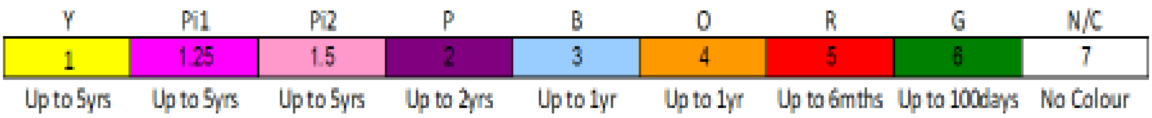
The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council 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.

All credit ratings are regularly monitored. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

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

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



	Colour (and long-term rating where applicable)	Money and / or % Limit	Time Limit
Banks	**Yellow**	**£4m / 25%**	**5 years**
Banks	**Purple**	**£3m / 25%**	**2 years**
Banks	**Orange**	**£3m / 25%**	**1 year**
Banks – part nationalised	**Blue**	**£3m / 25%**	**1 year**

	Colour (and long-term rating where applicable)	Money and / or % Limit	Time Limit
Banks	Red	£1m / 10%	6 months
Banks	Green	£1m / 10%	100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (not meeting Banks 1)	n/a	£10m	14 days
Other institutions limit*	-	£100,000	3 years
DMADF	AAA	100%	6 months
Local authorities	n/a	£4m / 25%	3 years
	Fund rating	**Money and / or % Limit**	**Time Limit**
Money market funds	AAA	£15m per MMF	liquid
Ultra-Short Dated Bond funds with a credit score of 1.25	Dark pink / AAA	£4m / 25%	liquid
Ultra-Short Dated Bond funds with a credit score of 1.5	Light pink / AAA	£3m / 25%	liquid

*The Council, from time to time, may also issue small, short-term loans to local parishes, charities and similar organisations. These organisations do not have a credit rating and so fall outside of the normal credit rating assessments. However, these are covered under other institutions within the criteria set above.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 40% of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA1*** from Fitch *or equivalent*. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than 50% will be placed with any non-UK country at any time:
- limits in place above will apply to a group of companies:
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

Interest rate forecasts are included in Appendix E. Interest rates have continued to increase since the autumn of 2022 with current BoE base rate being 5.25% at the time of writing this report. Latest indications are that the BoE base rate may have peaked and there is an expectation of a gradual reduction in base rate from summer 2024.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year.

Year	Average Interest Rate Earned
2023/24 (remainder)	4.75%
2024/25	4.25%
2025/26	3.25%
2026/27	2.75%
2027/28	2.25%
2028/29	2.00%

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

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

Maximum principal sums invested longer than 365 days					
£m	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Principal sums invested longer than 365 days*	£4m	£4m	£4m	£4m	£4m

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

*Please note that currently the council does not have any investments invested for more than 365 days.

4.5 Property Funds

The Council current uses CCLA as one of its main Money Market Funds, who also offer investments in property funds. The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any additional funds it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

The council does not currently have any investments in property funds.

4.6 End of year investment report

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

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 40% will be held in aggregate in non-specified investment.

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:

	Minimum credit criteria / colour band	**£ limit per institution / Max % of total investment**	**Max. maturity period**
Specified			
DMADF – UK Government	Yellow	100%	6 months (max set by DMO)
UK Government gilts	Yellow	£4 million / 50%	5 Years
UK Government Treasury bills	Yellow	£4 million / 50%	364 days (Max set by DMO)
Bonds issued by multilateral development banks	Yellow	£2m / 25%	5 Years
Local authorities	N/A	£4m / 25%	3 Years
Council's banker (Barclays)		£10 million	14 days
Money Market Funds CNAV	AAA	£15 million Per fund	Liquid
Money Market Funds VNAV	AAA	£15 million per fund	Liquid
Money Market Funds LVNAV	AAA	£15 million per fund	Liquid

Ultra-Short Dated Bond Funds with a credit score of 1.25 *	AAA	£4 million / 25%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5*	AAA	£3 million / 25%	Liquid
Term Deposits with part nationalised banks	Blue Orange Red Green	Max £3 million / 25%	1 Year 1 Year 6 Months 100 days
Term deposits with banks and building societies	Blue Orange Red Green	Max £3million/ 25%	1 Year 1 Year 6 Months 100 days
CDs or corporate bonds with banks and building societies	Blue Orange Red Green	Max £3million/ 25%	1 Year 1 Year 6 Months 100 days
Non-Specified			
Term Deposits with part nationalised banks	Red Green	Max £1 million / 10%	6 months 100 days
Term deposits with banks and building societies	Red Green	Max £1 million / 10%	6 months 100 days
CDs or corporate bonds with banks and building societies	Red Green	Max £1 million / 10%	6 months 100 days
Ultra-Short Dated Bond Funds with a credit score of 1.25*		Max £3 million / 25%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5*		Max £3 million / 25%	Liquid
Property funds - The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key exception to this is an investment in the CCLA Local Authorities Property Fund. This Authority will seek guidance on the status of any fund it may consider using.	AAA	£4 million / 25%	10 years

*Any investments in ultra short-dated bond funds will be considered on an individual basis due to the complex nature of this type of investment. These types of funds do not always have an official rating, in the event that the Council wishes to invest in the type of fund the council will seek guidance from its treasury advisors and undertake additional due diligence prior to any decision.

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.

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- **U.K.**

THIS LIST IS CORRECT AS AT 22.12.23

Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Audit & Risk Committee (responsibility for scrutiny)

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations;

The treasury management role of the section 151 officer

The S151 (responsible) officer

- 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.

Prospects for Interest Rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

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

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

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

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

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

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

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

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

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

<u>Economic Background</u>

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

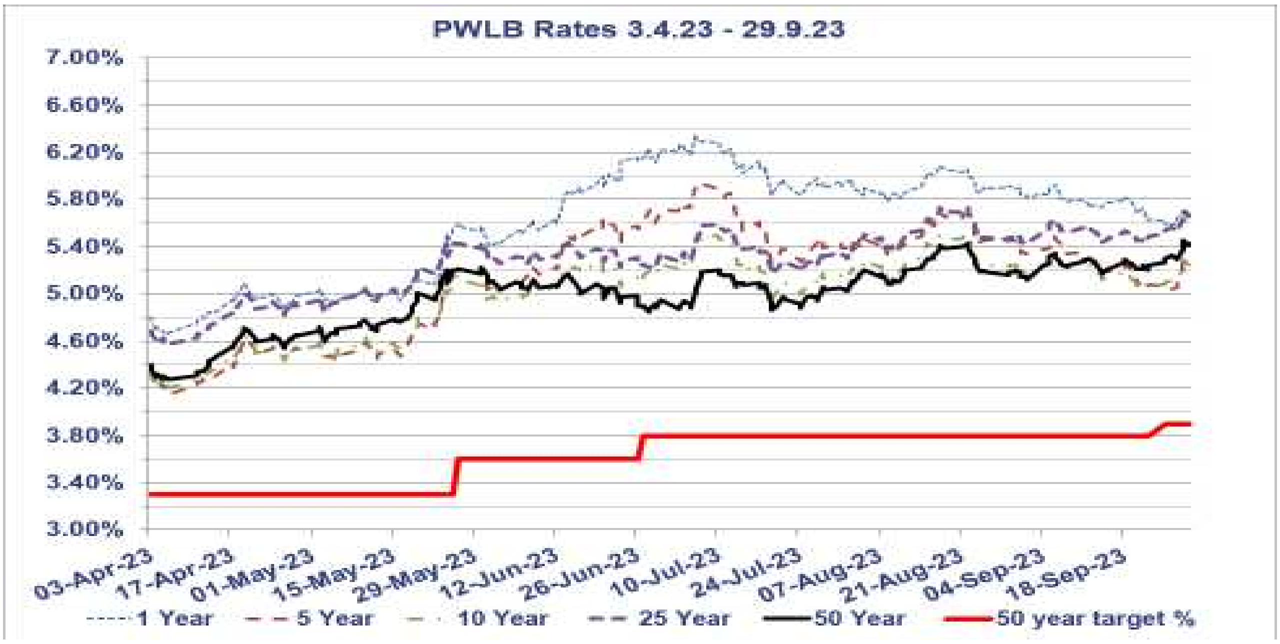
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

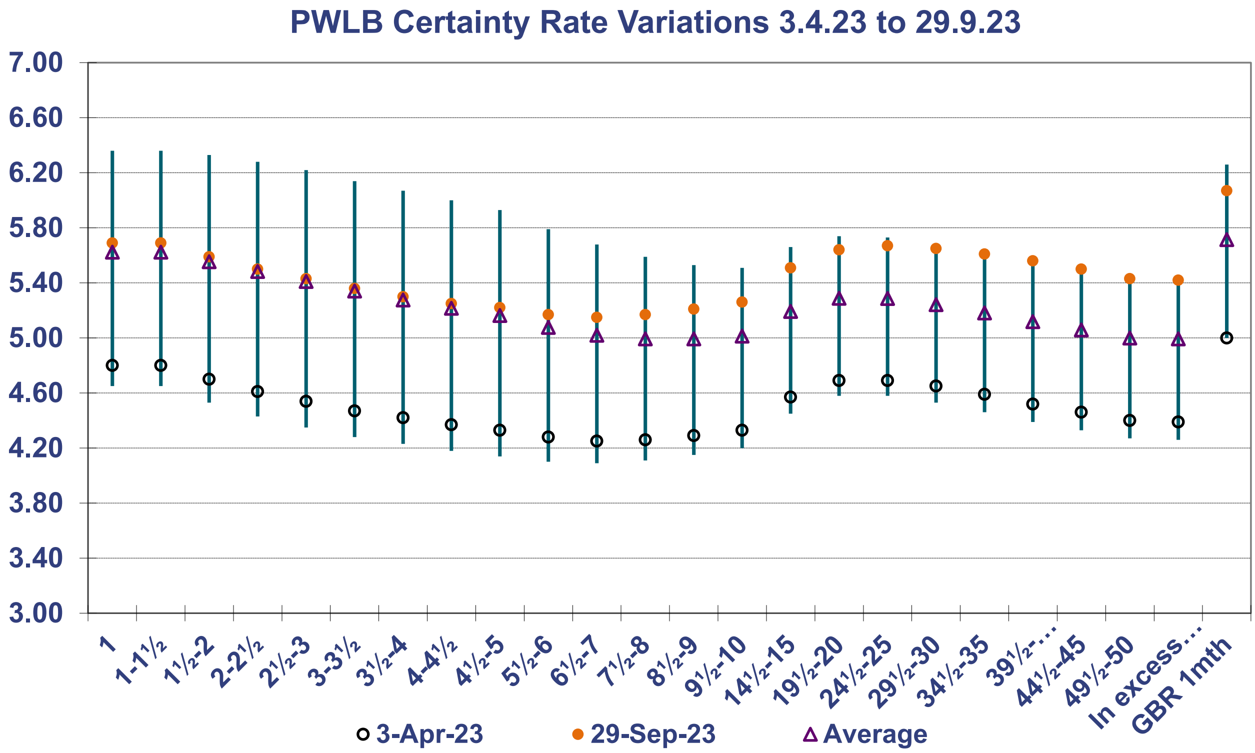
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”, citing the rise in global bond yields and the upside risks to inflation from “energy prices given events in the Middle East”. So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be “sufficiently restrictive for sufficiently long” and that the “MPC’s projections indicate that monetary policy is likely to need to be restrictive for an extended period of time”. Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

SOUTH STAFFORDSHIRE COUNCIL COUNCIL – 20 FEBRUARY 2024 APPROVAL OF ABSENCE REPORT OF THE MONITORING OFFICER

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

1.1 Under Section 85 of the Local Government Act 1972 if a Councillor does not attend a relevant meeting of the authority for a period of 6 calendar months they automatically cease to be a Councillor unless the Council approves the reason for absence prior to the expiry of that period. This report seeks Council's authority to approve the absence for the Councillor detailed below.

2. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	N/A	
	Has an Equality Impact Assessment (EqIA) been completed?	
	N/A	
	Has a Data Protection Impact Assessment been completed?	
	N/A	
SCRUTINY POWERS APPLICABLE	No	The power to grant dispensations under section 85 is reserved to Council.
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	05 September 2023	
FINANCIAL IMPACT	No	None
LEGAL ISSUES	Yes	Approval of Council is needed under Section 85 Local Government Act 1972.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	None
IMPACT ON SPECIFIC WARDS	No	

PART B – ADDITIONAL INFORMATION

3. INFORMATION

3.1 Section 85 of the Local Government Act 1972 provides that if a Councillor does not attend a relevant meeting of the authority for a period of 6 calendar months, they automatically cease to be a Councillor unless the Council approves the reason for absence *prior* to the expiry of that period. The exact wording is stated below:

Vacation of office by failure to attend meetings.

(1) Subject to subsections (2) and (3) below, if a member of a local authority fails throughout a period of six consecutive months from the date of his last attendance to attend any meeting of the authority, he shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a member of the authority.

3.2 This report seeks Council's authority to approve the reason for absence for Councillor Kath Williams.; Councillor Mrs Williams has been unable to attend a meeting as a result of mobility issues caused by a long-term health condition.

3.3 Councillor Mrs Williams last attended a meeting on 26 September 2023. If the reason for absence is not approved, section 85 would apply prior to the next Council meeting (scheduled for 26 March 2024).

3.4 Councillor Mrs Williams has been able to undertake her ward representative role, dealing with matters from home but has been unable to attend any meetings.

4. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

4.1 None identified.

5. PREVIOUS MINUTES

5.1 Not applicable.

6. BACKGROUND PAPERS

Section 85 Local Government Act 1972.

7. **RECOMMENDATIONS**
7.1 That Council approves the reason of absence, namely that of mobility issues caused by a long-term health condition, for Councillor Kath Williams.

Report prepared by: Lorraine Fowkes, Corporate Director of Governance and Monitoring Officer