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ASHFIELD DISTRICT COUNCIL

Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Agenda

Extraordinary Council (Tax Setting)

Date:	**Thursday, 3rd March, 2022**
Time:	**7.00 pm**
Venue:	**Council Chamber, Council Offices, Urban Road, Kirkby-in-Ashfield**

For any further information please contact:

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01623 457317

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COUNCIL

Membership

Chairman: Councillor Arnie Hankin

Vice-Chairman: Councillor John Smallridge

Councillors:

John Baird
Kier Barsby
Jim Blagden
Christian Chapman
Samantha Deakin
Dale Grounds
David Hennigan
Trevor Locke
Sarah Madigan
Andy Meakin
Keir Morrison
Matthew Relf
Phil Rostance
Helen-Ann Smith
Lee Waters
Daniel Williamson
Jason Zadrozny
Chris Baron
Jamie Bell
Will Bostock
Melanie Darrington
Andy Gascoyne
Andrew Harding
Tom Hollis
Rachel Madden
David Martin
Lauren Mitchell
Warren Nuttall
Kevin Rostance
Dave Shaw
David Walters
Caroline Wilkinson
John Wilmott

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SUMMONS

You are hereby requested to attend an extraordnary meeting of the Council to be held at the time/place and on the date mentioned above for the purpose of transacting the business set out below.

Theresa Hodgkinson
Chief Executive

AGENDA

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Ashfield
DISTRICT COUNCIL

Report To:	**COUNCIL**
Date:	**3 MARCH 2022**
Heading:	**ANNUAL BUDGET AND COUNCIL TAX 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY UPDATE**
Portfolio Holder:	**CLLR DAVID MARTIN – PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS**
Ward/s:	**ALL**
Key Decision:	**YES**
Subject to Call-In:	**YES**

Purpose of Report

This report sets out the proposed:

- 2022/23 Annual Revenue (General Fund) and Housing Revenue Account (HRA) Budgets and the Capital Programme for 2021/22 to 2025/26;
- 2021/22 In-Year Revised Budgets (HRA and Capital);
- 2022/23 Proposed District Council Tax;
- 2022/23 Proposed Capital Strategy; and
- 2022/23 Proposed Treasury Management Strategy

The report also sets out the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2023/24 and 2024/25 and the Chief Finance Officer's advice regarding the robustness of the estimates included in the proposed 2022/23 Budget, and the adequacy of reserves for which the proposed budget provides.

Recommendation(s)

That Council:

1. **Approves a £5 annual increase in the level of the District's own Council Tax for 2022/23, setting the Band D equivalent at £195.46.**

2. **Approves the proposed 2022/23 Revenue (General Fund) and HRA Budgets as set out in this report. (Sections 3 and 4).**

3. **Approves the proposed Capital Programme and associated borrowing 2021/22 to 2025/26 as set out in this report. (Section 5).**

4. **Approves the 2021/22 Revised HRA and Capital Budgets as set out in this report. (Sections 4 and 5).**

5. **Notes the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2023/2024 and 2024/25 and the planned approach to address the challenge. (Section 8 and Appendix 2).**

6. **Approves the proposed use of reserves as set out in this report. (Table 5 (General Fund) and Table 9 (HRA)).**

7. **Notes and accepts the comments and advice of the Corporate Finance Manager (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the 2022/23 Budget and the adequacy of the reserves for which this budget provides. (Section 9).**

8. **Notes that the proposed 2022/23 budgets reflect the agreed changes to Fees and Charges approved by Cabinet on 25th January 2022.**

9. **Notes that a potential call of up to £250k from the Corporate Transformation Reserve may be required to further progress the Digital Service Transformation (DST) programme at a quicker pace than had previously been planned. (Section 3.7).**

10. **Notes the Local Government Association's Finance Health Check report. (Appendix 3).**

11. **Notes and approves the proposed 2022/23 Capital Strategy. (Appendix 4)**

12. **Notes and approves the proposed 2022/23 Treasury Management Strategy. (Appendix 5)**

13. **Approves that the recently notified successful bid for funding of up to £1.203m from the BEIS Social Housing Decarbonisation Fund is added to the Capital Programme. (Paragraph 5.9)**

Reasons for Recommendation(s)

In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10th March in the preceding financial year.

Alternative Options Considered

(with reasons why not adopted)

The District Council is able to set a Council Tax increase of up to the greater of 2.00% or £5 per annum without triggering a referendum. The proposal is to apply the £5 annual increase to the level of District Council Tax for 2022/23. The Council, like all businesses, has seen a significant inflation increase to its energy and supplies and services budgets in recent months and this is set to continue. The Council also has a significant estimated funding gap for 2023/24 and this proposed modest increase (which equates to an average increase of 7 pence per week for over 80% of the District's households (Bands A-C), will, with its compounding effect, help to mitigate future funding pressures. The proposed increase also implements the recommendation in relation to Council Tax from the recent Local Government Association's Finance Health check. The full Finance Health Check report is attached as Appendix 3.

Careful consideration has been given to each of the proposed investments and savings included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities. The proposed savings will increase the efficiency of the Council with minimal adverse impact on residents and customers.

Detailed Information

1. Background and Economic Context

1.1 Since 2010 Local Government has seen an unprecedented reduction in the level of funding from Central Government.

1.2 Despite this significant reduction in funding this Council has a proven track record of setting its annual budget and delivering an Outturn within the budget set. However, despite this good financial performance the Council does face further financial challenges which it will need to address into the medium and longer term. These pressures are now compounded by the potential ongoing financial implications of the Coronavirus pandemic.

1.3 Although this report contains proposals to balance the 2022/23 revenue budget it is essential that the Council's management continue to work with Cabinet to identify and agree options to address the estimated financial challenge in the Medium-Term Financial Strategy for 2023/24 and beyond; ensuring the Council has a sustainable future.

1.4 The proposed 2022/23 Budget reflects the impact of both the Provisional and Final Local Government Finance Settlements, including the Government's decision to extend payment of Revenue Support Grant (RSG), extend the Lower Tier Services Grant funding by one further year for 2022/23 due to delays in implementing the Fair Funding Review, and future Government deliberations around the future of the Business Rates

system as the original intention to move to 75% retention and a re-set appear unlikely to now go ahead due to the impact of the Government's levelling up agenda.

1.5 The proposed revenue and capital budgets included in this report will facilitate the delivery of the Council's Priorities as set out in the refreshed Corporate Plan 2019-2023.

1.6 The direct implications of the pandemic will continue into the 2022/23 financial year and the impact on the Council's financial position will continue to be closely monitored and reported through the usual financial monitoring processes.

2. District Council Tax 2022/23

2.1 Ashfield District Council is proposing a £5 annual increase to its own Council Tax. This would set the District's Council Tax level (Band D equivalent property) at £195.46 for 2022/23; this represents a 2.6% increase.

2.2 This proposed District Council Tax increase is reflected in the proposed Annual Revenue Budget for 2022/23 shown in Section 3, Tables 3 and 4.

2.3 Based on the number of Band D equivalent properties in the 2022/23 Council Tax Base (34,052.7) and a District Council Tax of £195.46, this will generate Council Tax income of £6.656m for 2022/23.

2.4 The proposed increase is also consistent with the recommendation in relation to Council Tax from the recent Local Government Association Finance Health check. (Appendix 3)

3. Annual Revenue Budget 2022/23

3.1 The proposed 2022/23 Annual Revenue Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 1 and 2 below.

3.2 The proposed Revenue Budget assumes a 1.75% pay increase for staff for 2021/22 (still yet to be agreed) and a further 2% pay award for 2022/23, a 1.25% increase in Employers National Insurance, energy and fuel cost increases as advised by the Asset team, and contract inflation. The proposed 2022/23 Budget also includes any revenue implications from the proposed Capital Programme to be approved by Council at this meeting.

3.3 The proposed 2022/23 Budget does not reflect potential future cost and income pressures or savings which may arise as a consequence of the pandemic. These are entirely uncertain as is the potential for any further Government support. In the event that the Council has any unspent Covid funding by the end of 2021/22 it will be transferred to a reserve to be called on during 2022/23 when required. The ongoing financial impact of the pandemic will be closely monitored and reflected in in-year financial monitoring reports to the Corporate Leadership Team (CLT) and Cabinet.

Table 1 – Investments 2022/23

		2022/23
Investment	**Detail**	**£'000**
Community Safety	Public Space Protection Order – annual maintenance costs (Cabinet report 29/06/21)	1
Legal	Revised staffing structure following dissolution of Shared Legal Service	67
TOTAL		**68**

Table 2 – Savings/Efficiencies 2022/23

Saving / Efficiency	**Detail**	**2022/23**
		£'000
Base Budget Review	Detailed line by line review of all General Fund budgets to identify areas of recurrent underspends and over-achievement of income budgets	640
Neighbourhood Services	Deletion of vacant Performance Officer post	30
Place & Wellbeing	Staffing review – net saving	5
ICT	Renegotiation of Printing contract	5
Assets	Brook Street and Watnall Road offices rental income	108
Transformation Team	Staffing efficiencies	12
Grants	Community and Infrastructure Grants (net)	5
		805

3.4 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2022/23 is shown in Table 3 below:

Table 3 – Annual Revenue Budget by Directorate 2022/23

Directorate	**£'000**
Place & Communities	8,307
Resources & Business Transformation	-555
Legal & Governance	1,832
Housing & Assets	2,211
Chief Executive	642
Sub Total - Directorates	**12,437**
Net Recharges In/Out	-2,927
Borrowing & Capital Financing Costs	2,844
Net Interest Payable	20
Transfers to Earmarked Reserves	3,082
TOTAL	**15,456**

3.4 Table 4 below shows how the proposed 2022/23 Annual Revenue Budget is funded:

Table 4 – Funding the 2022/23 Annual Revenue Budget

Funding Source	£'000
New Homes Bonus	-486
Revenue Support Grant	-204
Lower Tier Services Grant	-177
Services Grant (One off)	-268
Net Business Rates / Section 31b Grants	-7,443
District Council Tax	-6,656
Council Tax Collection Fund Surplus	-39
Use of Earmarked Reserves (Confirmed)	-183
TOTAL	**-15,456**

3.5 General Fund Earmarked Reserves

Table 5 below shows the planned movement in General Fund Earmarked Reserves:

Table 5 – Known and Planned Movement in General Fund Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2021	Transfer to Reserve 2021/22	Transfer from reserve 2021/22	Expected Balance as at 31st March 2022	Transfer to Reserve 2022/23	Transfer from Reserve 2022/23	Expected Balance as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
District Planning Inquiry / Local Plan	312	0	80	232	39	183	88
Elections	64	54	0	118	74	0	192
Harold Farr Bequest	2	0	0	2	0	2	0
Asset Repair & Renewal Reserve	742	0	0	742	0	0	742
LAMS Reserve	76	0	0	76	0	0	76
Joint Crematorium Reserve	576	0	0	576	0	0	576
Insurance Related Funds	389	75	45	419	75	0	494
Revenue Grant Reserve	3,727	0	854	2,873	0	0	2,873
NNDR Equalisation Reserve	2,125	0	0	2,125	1,649	0	3,774

Supported Housing Reserve	18	0	0	18	0	0	18
Corporate Transformation Reserve *(Indicative)*	1,346	0	250	1,096	0	*250*	846
Commercial Property Investment Reserve	3,150	100	0	3,250	700	0	3,950
Economic Development & Place Reserve	384	0	30	354	0	0	354
Legal (ADC) Reserve	5	5	0	10	15	0	25
Winter Maintenance	5	5	0	10	5	0	15
Commercial Property Dilapidations Reserve	10	10	0	20	10	0	30
Brexit Reserve	51	0	51	0	0	0	0
Covid Reserve	886	0	0	886	0	0	886
Licensing Reserve	155	0	0	155	0	0	155
Selective Licensing Reserve *(Indicative)*	26	0	0	26	0	*12*	14
IT Reserve	0	0	0	0	15	0	15
Leisure Maintenance Reserve	201	0	0	201	500	0	701
Total	**14,250**	**249**	**1,310**	**13,189**	**3,082**	**447**	**15,824**

The two indicative values shown in the above table are to reflect possible movements in reserves in 2022/23. As they are indicative, they are not reflected in Table 3 (expenditure) and Table 4 (corresponding income).

3.6 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2022/23 are:

- £74k to Elections reserve which includes an annual contribution to the 4 yearly District elections and a contribution towards costs of potential future By-elections.
- £75k annual contribution to the General Fund Insurance Reserve to meet costs of self-insurance.
- £39k contribution to the District Planning Inquiry Reserve to meet costs which will materialise in 2023/24.

- £700k to the Commercial Property Investment Reserve to help mitigate potential future risks in respect of business failure resulting in void occupancy periods. Following review of the properties in the portfolio and the timing of break clauses, it is considered appropriate in the short term to build this reserve up to £3.95m.

- £30k transfer to the reserves; Legal (£15k), Winter Maintenance (£5k) and Commercial Property Dilapidations (£10k).

- £15k transfer to the IT reserve to help meet ad-hoc revenue purchases as they are required. During the Base Budget Review it was identified that this was the most efficient way of funding these purchases rather than having an annual revenue budget.

- £500k transfer to the Leisure reserve to recognise income that would be received in year one which needs to be matched with borrowing expenditure in later years. (MRP starts to be incurred the year after the asset is created).

- £1.649m transfer to the Business Rates Equalisation Reserve. This largely represents the Business Rates income from Amazon for the last 18 months and will assist in smoothing funding pressures from 2023/24 when it is expected that the level of business rates funding for the Council will be significantly reduced as the Government realigns resources to 'assessed need'.

3.7 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2022/23 are:

- £183k from the District Planning Inquiry / Local Plan Reserve to fund the evidence base required for the development of the Local Plan.

- £2k from Harold Farr Reserve to meet costs to be incurred in 2022/23.

- There will be a requirement to utilise the Corporate Transformation Reserve during 2022/23 to progress the pace of delivering our Digital Service Transformation programme. The required level of funding cannot be confirmed at this stage so an estimate of £250k has been included to ensure a probable movement on this reserve is reflected.

- £12k indicative transfer from the Selective Licensing Reserve to meet additional short-term costs in 2022/23.

3.8 General Reserve

As at 31st March 2021 the balance on the General Reserve was £7.901m. **In setting the proposed budget for 2022/23 there is no proposed withdrawal of funding from the balance of the General Reserve**.

4. Housing Revenue Account (HRA)

4.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a Housing Revenue Account (HRA). The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure such as maintenance, administration, and contributions to capital costs and how these are funded, mainly being from housing rent.

4.2 The proposed 2022/23 Annual HRA Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 6 and 7 below.

4.3 The proposed budget assumes a 1.75% pay increase for staff for 2021/22 (still yet to be agreed) and a further 2% pay award for 2022/23, funding for increments and contractual inflation. The 2022/23 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council.

Table 6 – HRA Investments 2022/2023

Investment	Detail	£'000
Consumer Standards Lead Officer	New post to oversee regulatory compliance within the Housing Department in line with the Social Housing White Paper.	50
Maintenance Operative	New post to fulfil the requirements of the Social Housing White Paper in terms of safety to provide a dedicated resource to focus on a rolling installation / replacement programme of Carbon Monoxide detectors and smoke alarms.	26
TOTAL		**76**

Table 7 – HRA Savings/Efficiencies 2022/23

Saving/Efficiency	Detail	£'000
Relocation of Housing Staff	Brook Street Office rented out to DWP – staff relocated to Urban Road	215
Staff Establishment	Lettings Service Review - reduced by 1 Admin post	24
Staff Establishment	Housing Administration – reduced by 1 Senior Admin post	32
TOTAL		**271**

4.4 2021/22 Revised HRA Budget and Proposed 2022/23 HRA Budget

Table 8 - Revised HRA Budget 2021/22 and the proposed HRA Budget for 2022/23

Description	2021/22 Revised Budget	2022/23 Original Budget
	£'000	£'000
Income		
Rents, Charges and Contributions	(24,772)	(25,838)
Interest and investment income	(16)	(10)
Total Income	(24,788)	(25,848)
Expenditure		
Repairs and Maintenance	7,858	8,062
Supervision and Management	4,462	4,386
Interest payable and similar charges	3,548	3,548
Rents, Rates, Taxes, and other charges	196	149
Depreciation and impairments of fixed assets	3,884	3,947
Debt Management Costs	44	44
Contribution to the Bad Debt Provision	200	200
Transfer to Major Repairs Reserve	0	5,997
Capital expenditure funded by the HRA	4,690	9,201
Total Expenditure	24,882	35,534
Net Cost of HRA Services	**94**	**9,686**

The main changes to the above budget for 2022/23 are:

Increased rental income from tenants from the approved new charges for rents, amenity and service charges.

Transfer to Major Repairs Reserve due to the difficulties in acquiring raw materials and labour shortages for the 2021/22 programme. This has pushed some of the planned programme back into 2022/23. Capital expenditure funded by the HRA in 2022/23 with further development of new affordable housing schemes which are due to commence, with some funding coming from Homes England Grant and the remainder funded by HRA reserves.

4.5 The 2021/22 Revised Budget above includes the proposed HRA Capital Scheme budget changes for 2021/22 proposed in Section 5 of this report.

The HRA uses a sophisticated 30-year business planning model. This enables the impact of various changes in income and expenditure to be monitored across a 30-year timespan.

Whilst there is not an immediate risk to the HRA within the short term the Council must be mindful savings are required within the service itself and from those services and funds that receive contributions from the HRA as well as a potential need to scale back capital investment within existing properties. Housing services have continued to make year on year savings within its operating and capital budgets.

Even though the HRA borrowing cap ended in October 2018, the current financial position of the HRA cannot sustain further additional debt repayments.

4.6 Possible Future impacts on the HRA

Social Housing White Paper – Charter for Social Housing residents

The paper was published by the Ministry of Housing, Communities and Local Government (MHCLG) (now known as Department for Levelling Up, Housing and Communities) on 17th November 2020. It is the follow up to the Social Housing Green Paper that was published in August 2018, both of which are part of the Government's response to the Grenfell Tower tragedy and the Hackitt Review of building safety and fire safety.

An action plan has been created and was reported to Cabinet in December 2021. To date the action plan has required two new posts to be established and built into the 30-year business plan. This action plan will continue to be monitored and be developed through the Housing and Assets' Departmental Management Team (DMT) overseen by the Corporate Leadership Team (CLT) and Portfolio Member for Housing and Assets. The action plan highlights the areas within the White Paper and specific Consumer Standards that are being met and identifies gaps where service areas will need to ensure work continues to remain compliant.

Carbon Zero by 2050

Under legislation passed in 2019, the UK is legally obliged to reach net-zero carbon emissions by 2050. There are a huge variety of factors that could influence how much it will eventually cost to retrofit the entire housing stock to zero-carbon standards. The age and composition of stock, existing maintenance plans and the cost of technology are all factors going forward. Based on £20,000 costs per property for carbon zero by 2050 and without Government funding, the carbon zero target cannot be met within the current self-financing model of the HRA.

4.7 HRA Earmarked Reserves

Table 9 below shows the already approved movements in the HRA earmarked reserves in 2021/22 and those proposed for 2022/23:

Table 9 – HRA Earmarked Reserves

Movement in Earmarked Reserves	Bal. as at 1st April 2021/22	Transfer to Reserve 2021/22	Transfer from reserve 2021/22	Forecast Bal. as at 31st March 2022	Transfer to Reserve 2022/23	Transfer from Reserve 2022/23	Forecast Bal. as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Reserve	25	0	0	25	0	0	25
Eco Funding Reserve	263	0		263	0	0	263
Insurance Reserve	192	0	-5	187	0	-20	167
Corporate Change Reserve	192	0	0	192	0	0	192
Technology Investment Reserve	28	0	-4	24	0	-24	0
Welfare Reform Reserve	200	0	-40	160	0	-100	60
Total	**900**	**0**	**-49**	**852**	**0**	**-144**	**708**

4.8 Planned Movement in HRA Earmarked Reserves 2022/23

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All housing stock damage claims will go against the HRA insurance reserve, which was agreed to have a contribution of £50k per annum for the financial years 2016/17 through to 2020/21. This has been reviewed this year and based on average use of the fund over the last 5 years no contribution is required in 2022/23 or the following two years. This will be reviewed again at the end of 2022/23 in readiness for the next budget cycle.

The Technology Investment reserve was set up to support the upgrading of out of date technology, to support the introduction of new technology, to support the move to digital delivery of services and improve customer experience and to support the move to more agile working. £252k of the reserve has been utilised for a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs and management as approved by Cabinet at its meeting on 21/01/2019. This investment has produced efficiency savings from 2020 onwards that will return the initial investment over three years. The systems and software implementation have been completed on this scheme leaving £24k towards the interface between the project planner and total mobile and a pre/post inspection module.

The Welfare Reform Reserve was created to support and react to the high volume of issues raised with the roll out of Universal Credit (UC) that commenced in November 2018. There is a planned full migration across to UC which will impact on the HRA, with the view to complete the whole process nationally by September 2024. This would

require additional resources to manage the large-scale increase in claimants and to provide the necessary support. Additional resource has been used this financial year for the work that has been suspended under the Covid restrictions.

5. Capital Programme 2021/22 to 2025/26

5.1 The proposed Capital Programme and funding is summarised in Table 12 below. Appendix 1 shows a detailed breakdown of all the schemes below.

The three areas of the Capital Programme (Area Schemes, General Fund and HRA) are discussed in more detail below.

Table 12 – Capital Programme (2021/22 to 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Capital Expenditure						
Area Schemes	1,056	54	0	0	0	1,110
General Fund	28,275	20,313	2,095	3,229	1,368	55,280
Housing Revenue Account	10,742	24,394	18,868	14,337	13,713	82,055
Grand Total	**40,073**	**44,761**	**20,963**	**17,566**	**15,081**	**138,445**
Capital Financing						
Developers Contributions - Area Schemes	531	20	0	0	0	551
Borrowing	187	0	0	0	0	187
Capital Receipts	69	0	0	0	0	69
Other Capital Grants and Contributions - Area Schemes	269	34	0	0	0	303
Sub Total - Area Schemes	**1,056**	**54**	**0**	**0**	**0**	**1,110**
Prudential Borrowing - General Fund	16,974	13,032	767	2,107	246	33,126
Direct Revenue Financing - General Fund	120	500	0	0	0	620
Developers Contributions - General Fund	22	118	0	0	0	140
Capital Receipts	977	500	0	0	0	1,477
Other Capital Grants and Contributions - General Fund	10,182	6,163	1,328	1,122	1,122	19,917
Sub Total - General Fund	**28,275**	**20,313**	**2,095**	**3,229**	**1,368**	**55,280**
Funded from HRA Reserves	8,883	19,145	15,748	13,057	12,433	69,267
Homes England	900	1,910	1,840	0	0	4,650
Green Homes Grants	407	23	0	0	0	430
Developers Contributions - Housing Revenue Account	0	200	0	0	0	200
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	548	480	400	400	400	2,228
Non 1-4-1 Capital Receipts	4	2,636	880	880	880	5,280
Sub Total - HRA	**10,742**	**24,394**	**18,868**	**14,337**	**13,713**	**82,055**
Grand Total	**40,073**	**44,761**	**20,963**	**17,566**	**15,081**	**138,445**

Area Capital Programme

5.2 These consist of mainly self-financed schemes that enhance the local environment. Developers' contributions (known as Section 106 funding) make up the largest funding source. Additional external grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 13 below.

Table 13 – Area Schemes (2021/22 to 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Area						
Hucknall Area	327	0	0	0	0	327
Kirkby Area	281	15	0	0	0	296
Sutton Area	324	39	0	0	0	363
Rural Area	124	0	0	0	0	124
Total	**1,056**	**54**	**0**	**0**	**0**	**1,110**
Funded by						
Borrowing	187	0	0	0	0	187
Capital Receipts	69	0	0	0	0	69
Friends of Cromford Canal	2	0	0	0	0	2
Nottinghamshire County Council (NCC)	249	0	0	0	0	249
Rural Payments Agency	5	0	0	0	0	5
Section 106	523	20	0	0	0	543
Skanska	8	0	0	0	0	8
Taylor Wimpey	5	34	0	0	0	39
Sustainable Transport S106	8	0	0	0	0	8
Total	**1,056**	**54**	**0**	**0**	**0**	**1,110**

Table 14 below shows where changes to capital schemes by Area are proposed due to project delays (slippage) or changes in project spend.

Table 14 – Area Schemes (changes in proposed expenditure)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Approved Area Scheme	**977**	**5**	**0**	**0**	**0**	**982**
Changes to Sutton Area Schemes	-34	34	0	0	0	**0**
Changes to Kirkby Area Schemes	-7	15	0	0	0	**8**
Proposed Area Schemes to be Approved	**936**	**54**	**0**	**0**	**0**	**990**

Table 15 – Area Schemes (changes to budget – by scheme)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Sutton Area						
Sudbury Drive Play Area	-34	34	0	0	0	0
Sub Total	**-34**	**34**	**0**	**0**	**0**	**0**
Kirkby Area						
Footpath Improvements Across the Larwood and Greenwood & Summit Wards	-15	15	0	0	0	0
Nuncargate Recreation Ground	8	0	0	0	0	8
Sub Total	**-7**	**15**	**0**	**0**	**0**	**8**
Grand Total	**-41**	**49**	**0**	**0**	**0**	**8**

5.3 Changes to Existing Area Projects

Table 15 above shows the proposed changes to budget on a scheme by scheme basis. Several of the schemes planned for 2021/22 are not now expected to be completed until 2022/23. The actual allocation for each project is shown at Appendix 1.

There is a minor change to the Nuncargate Recreation Ground project. An additional £8k has been added to the funding of this project from the unallocated Green Space Improvements General Fund budget.

Table 16 – Area Schemes (New Schemes)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Rural Areas						
Rurals and Open Space	120	0	0	0	0	120
Grand Total	**120**	**0**	**0**	**0**	**0**	**120**

Table 17 - Area Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2022 Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
September 2021 Capital Programme	**977**	**5**	**0**	**0**	**0**	**982**
Changes to Current Projects	-41	49	0	0	0	**8**
New Projects	120	0	0	0	0	**120**
Proposed February 2022	**1,056**	**54**	**0**	**0**	**0**	**1,110**

Table 18 – General Fund Projects (changes in budget – by scheme)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Changes to Current Projects						
Green Space Improvements	-8	0	0	0	0	-8
Green Homes Grant (GF)	-208	208	0	0	0	0
Green Homes Grant (GF) (2)	-26	17	0	0	0	-9
Hucknall Leisure Centre - New Pool	-94	94	0	0	0	0
Kings Mill Reservoir Car Park Expansion	-192	192	0	0	0	0
Kirkby Leisure Centre	-3,100	3,100	0	0	0	0
New Servers	0	0	0	20	20	40
Officers' IT for Agile Working (General Fund)	0	0	40	40	40	120
Purchase of Vehicles	-918	948	0	0	0	30
Towns Fund Projects	239	0	0	0	0	239
Tree Planting and Habitat Improvements, Ashfield-Wide	-25	25	0	0	0	0
Grand Total	**-4,332**	**4,584**	**40**	**60**	**60**	**412**

5.4 Table 18 above shows the proposed changes to budget on a scheme by scheme basis. Several of the schemes planned for 2021/22 are not now expected to be completed until 2022/23.

Key changes to Existing General Fund Projects are:

.

- **Green Space Improvements** – Scheme reduced in value to offset increase in cost of Nuncargate Recreation Ground Scheme (please see above).
- **Green Home Grants –** It is not expected that these will be completed by the end of the current financial. The grant conditions require that works must be completed by 31st March 2022. Due to events outside the control of local authorities it is hoped that the deadline will be extended. If this does not happen then the works proposed for 2022/23 will be removed from the Capital Programme.
- **Hucknall Leisure Centre – New Pool** - part of the scheme cost re-profiled to the next financial year.
- **Kings Mill Reservoir Car Park Extension** – Scheme delayed by one year.
- **Kirkby Leisure Centre** – part of the scheme cost re-profiled to the next financial year.
- **New Servers** – £20k annual requirement for new servers has been extended for a further two years.
- **Officers' IT for Agile Working (General Fund)** – £40k annual requirement for new servers has been extended for a further three years.
- **Purchase of vehicles** – Vehicles expected to be delivered in 2021/22 are now to be received in 2022/23. An additional vehicle is to be purchased from the capital receipt received from a recently disposed vehicle.
- **Towns Fund Project –** The detailed business cases have been approved for Visitor Digital Offer and Portland Square Refurbishment Project and funding will be received in 21/22.
- **Tree Planting and Habitat Improvements, Ashfield-Wide** – This project is not now expected to be completed until the next financial year.

The actual allocation for each project is shown at Appendix 1.

5.5 The Council has successfully secured a Town Deal for both Kirkby-in-Ashfield and Sutton-in-Ashfield from the Towns Fund, securing £62.7m for 17 schemes. The Council is developing full business cases for each scheme, in accordance with the timeframes set by Central Government. The Council has already received accelerated funding of £1.5m (£750k each for Sutton and Kirkby) in 2020/21 and £3.150m, a 5% upfront payment in 2021/22, to enable the schemes to progress, and now Visitor Digital Offer and Portland Square Refurbishment schemes have been fully approved and are being progressed.

Table 19 – New General Fund Schemes

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
New Projects						
Titchfield Park CCTV	19	0	0	0	0	19
Grand Total	**19**	**0**	**0**	**0**	**0**	**19**

5.7 The new General fund scheme is for two CCTV columns within the grounds of Titchfield Park.

Table 20 - General Fund Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2022 Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Current Capital Programme	**32,588**	**15,729**	**2,055**	**3,169**	**1,308**	**54,849**
Changes to Current Projects	-4,332	4,584	40	60	60	**412**
New Schemes	19	0	0	0	0	**19**
Proposed February 2022 Capital Programme	**28,275**	**20,313**	**2,095**	**3,229**	**1,368**	**55,280**

Table 21 – General Fund – Financing of the Capital Programme

The table below show the changes in financing required to move from the existing Capital Programme to the proposed 2021/22 – 2025/26 Capital Programme.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Current Capital Programme	**32,588**	**12,729**	**2,055**	**3,169**	**1,308**	**51,849**
Capital Grants	-11	241	0	0	0	**230**
Capital Receipts	27	500	0	0	0	**527**
Direct Revenue Financing - General Fund	19	500	0	0	0	**519**
Prudential Borrowing	-4,315	6,318	40	60	60	**2,163**
Developers Contributions - General Fund	-33	25	0	0	0	**-8**
Proposed February 2022 Capital Programme	**28,275**	**20,313**	**2,095**	**3,229**	**1,368**	**55,280**

5.8 Housing Revenue Account (HRA) Capital Programme

There have also been changes to the profiling of the HRA capital schemes.

Key changes to existing schemes are as follows:

- **Decent Homes Schemes** – The profiling of expenditure has been changed due to difficulties in acquiring raw materials and due to labour shortages. There are currently no changes to the overall cost of these schemes during the five year capital programme.
- **Affordable Housing Development – Wesley Street, Annesley** – This scheme has now been withdrawn from the capital programme.
- **Affordable Housing Developments – Sutton in Ashfield –** This project is not expected to be completed until 2022/23.
- **Davies Avenue Housing Project Frog Hopper Lane**– This project is not expected to be completed until 2022/23.
- **Green Homes Grants** – Similarly to the General Fund. The HRA scheme is not expected to be completed before the end of March 2022. If the deadline for expenditure of the grant is not extended beyond March 2022 then 2022/23 scheme costs will be removed from the capital programme.
- **Housing Vehicles** – Expenditure on some of the housing vehicles has been bought forward by one year.
- **Hucknall Infill Sites** – More works are expected to be completed in 2021/22 therefore monies transferred from 2022/23 budget to 2021/22.
- **Investment in New or Existing Council Dwellings** – £200k expenditure on dwellings planned for 2021/22 has now been delayed until 2022/23**.**
- **Major Repairs Temporary Accommodation –** Expenditure less than anticipated in 2021/22. Unspent 2021/22 amounts to be spread over the period 2022/23 to 2025/26.
- **Maun View Sutton-in-Ashfield –** Works planned for 2021/22 now delayed until 2022/23.
- **Northern View Sutton-in-Ashfield –** Works not now expected to commence until 2022/23.
- **Officers' IT for Agile Working (HRA)** – Expenditure originally planned for 2021/22 has been re-profiled to be spent in future years.

Full details of the HRA Capital Programme are shown in Appendix 1.

Table 22 – Housing Revenue Account (changes to budget)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Expenditure Approved	**17,894**	**21,034**	**18,704**	**14,164**	**12,234**	**84,030**
Changes to Current Projects						
Decent Home Schemes						
Management Fee	0	0	0	0	0	**0**
Catch up and Major Repairs	-1,553	-472	256	258	1,512	**0**
Service Improvements	-90	90	0	0	0	**0**
Contingent Major Repairs	-10	10	0	0	0	**0**
Exceptional Extensive Works	-1,226	1,226	0	0	0	**0**
Disabled Adaptations	-216	424	-78	-90	-40	**0**
Sub Total	**-3,095**	**1,277**	**178**	**168**	**1,472**	**0**
Other Housing Revenue Account Schemes						
Affordable Housing Development – Wesley Street, Annesley	-198	-1,726	-60	0	0	**-1,984**
Affordable Housing developments - Sutton-in-Ashfield	-122	122	0	0	0	**0**
Davies Avenue Housing Project - Frog Hopper Lane	-2,288	2,288	0	0	0	**0**
Green Homes Grant (HRA) (1)	-65	65	0	0	0	**0**
Green Homes Grant (HRA) (2)	9	0	0	0	0	**9**
Housing Vehicles	52	-52	0	0	0	**0**
Hucknall Infill Sites	100	-100	0	0	0	**0**
Investment in New or Existing Dwellings	-200	200	0	0	0	**0**
Major Repairs Temporary Accomodation	-26	6	7	6	7	**0**
Maun View Sutton-in-Ashfield	-976	976	0	0	0	**0**
Northern View, Sutton-in-Ashfield	-303	303	0	0	0	**0**
Officers' IT for Agile Working (HRA)	-40	0	40	0	0	**0**
Sub Total	**-4,057**	**2,082**	**-13**	**6**	**7**	**-1,975**
Grand Total	**10,742**	**24,394**	**18,868**	**14,337**	**13,713**	**82,055**
Capital Funding						
Funded from HRA Reserves	8,883	19,145	15,748	13,057	12,433	**69,267**
Homes England	900	1,910	1,840	0	0	**4,650**
Developers Contribution	0	200	0	0	0	**200**
Green Homes Grants	407	23	0	0	0	**430**
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	548	480	400	400	400	**2,228**
Non 1-4-1 Capital Receipts	4	2,636	880	880	880	**5,280**
Total Capital Funding	**10,742**	**24,394**	**18,868**	**14,337**	**13,713**	**82,055**

5.9 Council is asked to approve that the recently notified successful bid for funding of up to £1.203m from the BEIS Social Housing Decarbonisation Fund be added to the capital Programme.

Receipt of this Grant will reinforce the Council's commitment to reducing carbon emissions within the District and assist in the reduction of fuel poverty, whilst also increasing the level of disposable income in our community.

6. Capital Strategy 2022/23

6.1 The Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code requires that all Council's need to have a Capital Strategy to:

a) Demonstrate that the Authority takes capital expenditure and investment decisions in line with service objectives and properly takes into account of stewardship, value for money, prudence and affordability.

b) Give a high level overview of how capital expenditure, capital financing and treasury activity contribute to the provision of services, how associated risks are managed and the implications for future financial sustainability.

6.2 The Capital Strategy (Appendix 4) has been refreshed and updated for 2022/23. The main changes are to reflect the revised capital programme, which is also to be presented at this meeting.

6.3 DLUHC (formerly MHCLG) Statutory Guidance on Local Government Investments require that the Council has a non-treasury management investment strategy. This is the Council's Commercial Investment Property Strategy. This details the ongoing monitoring processes and risk mitigations to manage the existing portfolio. The detail regarding the acquisition process has been retained as an appendix for completeness.

6.4 Annex 2 of Appendix 4, the Commercial Investment Property indicators have been recalculated for the actual 2020/21 performance, latest forecast for 2021/22 and latest estimates for 2022/23 onwards.

6.5 CIPFA issued a revised Prudential Code in December 2021 and this states that authorities "must not borrow to invest primarily for financial return". Therefore, the changes in the code are aligned to the decision to remove any further investment property purchases from our Capital Programme and Capital Strategy from 2021/22.

6.6 Full compliance with the revised Prudential Code is required from 2023/24. The other code changes are being reviewed but are not expected to have a material impact, they will be implemented in the Capital Strategy for 2023/24.

7. Treasury Management Strategy 2022/23

7.1 The proposed Treasury Management Strategy 2022/23 attached as Appendix 5 to this report sets out the Council's proposed Treasury Management Strategy for 2022/23 and includes the:

- Treasury Management Strategy Statement (TMSS),
- Borrowing Strategy,
- Annual Investment Strategy,
- Minimum Revenue Provision Policy,
- Investment Strategy,
- Prudential Indicators and Treasury Management Indicators, and
- Treasury Management Practices: Risk Management.

7.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice requires that Council approve these Policies.

7.3 The main purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed for day to day business. The second main function of the treasury management service is the funding of the Council's capital plans.

7.4 In order to ensure that the surplus money the Council has is secure, it is required to have an Annual Investment Strategy (AIS). This Strategy states where the Council can invest its money and sets the maximum investment limit. There are two changes requested to the AIS this year:

1) The Council changes its policy of investing with non UK counterparties in countries with a minimum sovereign rating of AAA with the three main credit rating agencies to a minimum sovereign of AA+. This change will allow it to invest in institutions which are domiciled in Canada, Finland and the USA, and;
2) The inclusion of Pooled Fund in the AIS to allow investments in Multi Asset Income Funds (MAIF), Bond Funds and Property Funds.

7.5 Whenever the Council borrows money to pay for Capital Expenditure it is required to make a Minimum Revenue Provision (MRP) to repay the amount borrowed on maturity of the loan.

7.6 The Council is required to set Prudential Indicators each year. The Prudential Indicators set limits on how much the Council can borrow. The borrowing limits are based largely on the Capital Financing Requirement (CFR) which represents capital expenditure that is still to be paid for.

7.7 Other Prudential Indicators show the estimated historic and incremental impact of capital borrowing decisions on Council Tax payers and Council House residents. These are shown in Annex A of Appendix 5 of the report.

7.8 The report also includes an update from the Council's Treasury Management Advisors – Link Asset Services - on the prospect of future interest rate changes.

8. Medium Term Financial Strategy (MTFS) Update

8.1 There remains significant uncertainty around the level of resources which will be available to the Council beyond 2022/23. This uncertainty is in relation to the outcome of the Fair Funding Review and the impact it will have on 'assessed need' and subsequent resource reallocation levels through the Business Rates system which is currently under review by Government, and potential changes to the distribution methodology for New Homes Bonus.

8.2 Because of the above significant uncertainty, indications of the future financial challenge for the Council (like all other Councils) will potentially be subject to considerable variation. However, based on use of the LG Futures financial model and our current estimate of expenditure required for the next five years the current estimated funding gaps are shown in Table 23 below:

Table 23 – MTFS Estimated Funding Gap 2022/23 to 2024/25

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Estimated Expenditure	15,456	13,267	13,311
Estimated Income	-15,456	-10,991	-11,024
Estimated Cumulative Funding Gap	0	2,276	2,287
Estimated Annual Funding Gap	0	2,276	11

8.3 The above estimated funding gaps from 2023/24 currently include the following annual assumptions (which may change on further review):

- Pay inflation (2%)
- Superannuation back-funding (3.6%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- Insurance (2%)
- No allowance for any inflationary increase in District Council Tax increase from 2022/23
- No allowance for any growth in the Council Tax Base (Number of properties)

The above estimated funding gaps also assumes that there will be no future New Homes Bonus receipts (the outcome of the consultation is not yet known in terms of whether if and how this funding may be distributed into the future). It also assumes that the Lower Tier Services Grant and the one-off Services Grant announced for 2022/23 will also both cease with no replacement funding.

The MTFS document (Appendix 2) models potential variations to the above assumptions.

The MTFS (Appendix 2) provides details of the financial implications of varying the Council Tax inflation rate assumption by up to £5 per year and by increasing the Council Tax base by up to 1.25% per year.

8.4 The Corporate Leadership Team (CLT) and Cabinet continue to meet regularly to identify and agree options to address this estimated financial challenge in the MTFS for 2023/24 and beyond; ensuring the Council has a sustainable future.

8.5 Consideration will be given to options for additional income generation, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme.

8.6 Consideration will also be given to the use of one-off reserves to smooth the delivery of savings to address the financial challenge over the next few years. The MTFS attached at Appendix 2 provides examples of some options to achieve this.

9. Section 151 Officer Comments

9.1 Section 25 of The Local Government Act 2003 requires that the 'Chief Financial Officer' (The Corporate Finance Manager at Ashfield District Council) reports to Council on the following matters in making decisions on the budget and financial strategy:

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

It is also recognised good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its risks and needs.

9.2 The content of this report is the mechanism by which positive assurances are made by the Corporate Finance Manager about the adequacy of the proposed financial reserves.

9.3 The Corporate Finance Manager gives his assurance that the budget estimates for 2022/23 are robust. There is a forecast deficit in future years as public sector funding is expected to get tighter and there is recognition that this will have to be addressed for the Council to remain sustainable in the longer term but that there are options available for development, consideration and subsequent implementation to do this. Early progress of any of the supported options during 2022/23 may also deliver in year savings.

9.4 The key fundamental principles which underpin the Corporate Finance Managers' assurances are:

- Directorates manage their finances within the clearly defined cash limited budgets within this report.
- The Council recognises the need to explore income and savings options to ensure the future financial sustainability of the organisation.
- The General Reserves (General Fund) Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Corporate Finance Manager and approved by the appropriate body of the Council in accordance with the Constitution.
- In considering the robustness of the Budget for 2022/23 account has been taken of the potential need to call on funding from the Corporate Transformation Earmarked Reserve.

Implications

Corporate Plan:

The proposed 2022/23 General Fund budget, HRA Budget and the 2021/22 to 2025/26 Capital Programme, Capital Strategy and Treasury Management Strategy reflect the priorities in the Corporate Plan.

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes within the District in the future.

Legal:

When setting the Revenue Budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council Tax Requirement and the setting of the overall Budget and Council Tax for the year. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure proper discharge of its statutory duties and lead to a balanced budget.

In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike the right balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient resources on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. It is believed that the proposals in this Budget Report do strike that right balance.

All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and to limit the potential financial impact on the Council should they arise.

The Council is required by the LGHA 1989 to have a separate Housing Revenue Account.

If supported by Cabinet, this report will require approval by Council as this forms part of the Council's Budgetary Framework (Financial Regulation B.1 and Article 4 of the Constitution). [RLD 11/02/2022].

Finance:

Budget Area	Implication
General Fund – Revenue Budget	As set out in the body and appendices of this report.
General Fund – Capital Programme	As set out in the body and appendices of this report.
Housing Revenue Account – Revenue Budget	As set out in the body and appendices of this report.
Housing Revenue Account – Capital Programme	As set out in the body and appendices of this report.

Risk:

Risk	Mitigation
That the budget set may be insufficient to provide the required services and subsequently services overspend.	Monthly budget monitoring arrangements are in place with reports produced monthly from June onwards for CLT and periodically for Cabinet. Any pressures and potential mitigation of pressures is included in these reports.
The funding assumptions for the level of central Government funding from 2023/24 in the MTFS may vary once known.	There is significant uncertainty around the level of central Government funding beyond 2022/23 however the assumptions included in this report are prudent. As clarity is provided on future funding this will be reported through to CLT and Cabinet.

Human Resources:

There are no direct HR implications contained in this report.

Environmental/Sustainability

There are no environment/sustainability implications resulting from the recommendations detailed in this report.

Equalities:

Projects within the Capital Programme will ensure that as far as possible Council buildings and facilities are accessible, to enable all users to access Council services. In addition, the various projects within the Council's Digital Transformation Strategy will ensure that individual customer needs are optimised.

Other Implications:

None

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable

Background Papers

ANNUAL BUDGET AND COUNCIL TAX 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY UPDATE – CABINET 22/02/22
CAPITAL STRATGEY 22/02/22
TREASURY MANAGEMENT STRATEGY 22/02/22
2022/23 Council Tax Base report
Housing Rents report 2022/23 – Cabinet 25 January 2022
Final Local Government Settlement – 8th February 2022
Budget and Council Tax 2021/22 Report – Council 4th March 2021
CIPFA – The Prudential Code for Capital Finance in Local Authorities 2017

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Appendix 1 - Capital Programme

General Fund Capital Schemes

	Lead Officer	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Funding: Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total £'000
General Fund														
Cemeteries	David Lawrence	2	0	0	0	0	2	2	0	0		0	0	2
Titchfield Park CCTV	David Lawrence	19	0	0	0	0	19	0	0	0		0	19	19
Demolition of Hucknall Toilets	Paul Parkinson	1	0	0	0	0	1	1	0	0		0	0	1
Depot Roof	Paul Parkinson	950	0	0	0	0	950	0	0	0		950	0	950
External health and safety works required for the Urban Road office	Paul Parkinson	216	0	0	0	0	216	216	0	0		0	0	216
Firewalls	Craig Bonar	2	0	0	0	0	2	2	0	0		0	0	2
Flood Support Schemes	Craig Bonar	49	0	0	0	0	49	0	0	49	CLG	0	0	49
Green Space Improvements	David Lawrence	12	0	0	0	0	12	0	12	0		0	0	12
Green Homes Grant (GF) (1)	Paul Parkinson	492	208	0	0	0	700	0	0	700	Green Homes Grant	0	0	700
Green Homes Grant (GF) (2)	Paul Parkinson	456	17	0	0	0	473	0	0	473	Green Homes Grant	0	0	473
Hucknall Car Park - Titchfield Street	David Lawrence	0	115	0	0	0	115	22	93	0		0	0	115
Hucknall Leisure Centre - Fixtures, Fittings and Equipment	David Lawrence	1,775	250	0	0	0	2,025	2,025	0	0		0	0	2,025
Hucknall Leisure Centre - New Pool	David Lawrence	625	2,625	0	0	0	3,250	3,250	0	0		0	0	3,250
In District Regeneration	Craig Bonar	0	3,000	0	0	0	3,000	2,000	0	0		500	500	3,000
New Kirkby Leisure Centre - Fixtures, Fittings and Equipment	David Lawrence	0	440	0	0	0	440	440	0	0		0	0	440
Lammas Leisure Centre - Fixtures, Fittings and Equipment	David Lawrence	2,971	0	0	0	0	2,971	2,971	0	0		0	0	2,971
Idlewells Market Hall	David Lawrence	9	0	0	0	0	9	9	0	0		0	0	9
Improvement Grants 1996 Act Disabled Facility Grant	Paul Parkinson	1,122	1,122	1,122	1,122	1,122	5,610	0	0	5,610	BCF £5,538k & RHB £72k	0	0	5,610
IT Wiring Infrastructure	Craig Bonar	9	0	0	0	0	9	9	0	0		0	0	9
Kings Mill Reservoir Car Park Expansion	David Lawrence	0	192	0	0	0	192	176	0	16	NCC	0	0	192
Kings Mill Reservoir (The King and Miller to Kingfisher)	David Lawrence	435	0	0	0	0	435	62	0	283	HLF £91k, NCC £136k, MDC £27k, Development (HLF) £21k, NCC ROW £3k & Donations £5k	0	90	435
Kirkby Leisure Centre	David Lawrence	8,900	5,020	0	0	0	13,920	10,920		3,000	Sport England £1.5m LEP £1.5m	0	0	13,920
Market Stalls	David Lawrence	1	0	0	0	0	1	1	0	0		0	0	1
Members' IT	Craig Bonar	21	35	0	0	0	56	56	0	0		0	0	56
New Cross Support Scheme	David Lawrence	1	0	0	0	0	1	0	0	1	RHB	0	0	1
New Servers	Craig Bonar	50	20	20	20	20	130	130	0	0		0	0	130
Northern Depot Office Rationalisation and Wireless CCTV Infrastructure	David Lawrence	11	0	0	0	0	11	11	0	0		0	0	11
Office Accommodation Works to Accommodate DWP at Central Offices	Paul Parkinson	2	0	0	0	0	2	2	0	0		0	0	2
Office Accommodation Works to Accommodate Police at Central Offices	Paul Parkinson	5	0	0	0	0	5	0	0	5	Police	0	0	5
Officers' IT for Agile Working (General Fund)	Craig Bonar	47	40	40	40	40	207	207	0	0		0	0	207
Piggins Croft Car Park	Paul Parkinson	17	0	0	0	0	17	17	0	0		0	0	17
Purchase of Vehicles	David Lawrence	353	3,781	550	2,047	186	6,917	6,890	0	0		27	0	6,917
Retail Improvement Scheme	David Lawrence	11	0	0	0	0	11	0	0	0	S106 Revenue	0	11	11
SAN Hardwear	Craig Bonar	2	0	0	0	0	2	2	0	0		0	0	2
Safer Streets	David Lawrence	31	0	0	0	0	31	0	0	31	Notts PCC	0	0	31
Solar Panels - Northern Depot	Paul Parkinson	2	0	0	0	0	2	2	0	0		0	0	2
Switch Network Hardware	Craig Bonar	13	0	0	0	0	13	13	0	0		0	0	13
Towns Fund Projects	David Lawrence	4,635	0	0	0	0	4,635	1,266	0	3,369	Towns Fund	0	0	4,635
Tree Planting and Habitat Improvements, Ashfield-Wide	David Lawrence	10	25	0	0	0	35	0	35	0		0	0	35
Vehicle Tracking Scheme	David Lawrence	23	0	0	0	0	23	23	0	0		0	0	23
Future High Street Funding Schemes														
Sutton Academy Community Theatre/Cinema	David Lawrence	612	1,835	0	0	0	2,447	0	0	2,447	MHCLG £2,347k and Private Sector £100k	0	0	2,447
Sutton Maker Space and Business Hub	David Lawrence	2,105	0	0	0	0	2,105	756	0	1,349	MHCLG	0	0	2,105
Low Street vacant units	David Lawrence	2,176	1,088	363	0	0	3,627	1,574	0	2,053	MHCLG	0	0	3,627
Fox Street pop-up food court and car park	David Lawrence	102	500	0	0	0	602	71	0	531	MHCLG	0	0	602
Total General Fund		**28,275**	**20,313**	**2,095**	**3,229**	**1,368**	**55,280**	**33,126**	**140**	**19,917**		**1,477**	**620**	**55,280**

Appendix 1 - Capital Programme

Housing Revenue Account Capital Schemes

Housing Revenue Account

	Lead Officer	2021/22	2022/23	2023/24	2024/25	2025/26	Total
		£'000	£'000	£'000	£'000	£'000	£'000
HOUSING REVENUE ACCOUNT							
Decent Homes Schemes							
Management Fee	Paul Parkinson	579	591	591	591	591	**2,943**
Catch up and Major Repairs	Paul Parkinson	2,712	7,920	8,867	9,018	8,912	**37,430**
Service Improvements	Paul Parkinson	185	1,802	1,770	1,870	1,667	**7,294**
Contingent Major Repairs	Paul Parkinson	75	117	106	106	126	**530**
Exceptional Extensive Works	Paul Parkinson	224	1,276	10	1,204	960	**3,674**
Disabled Adaptations	Paul Parkinson	423	874	372	360	410	**2,439**
Grand Total		**4,198**	**12,580**	**11,716**	**13,149**	**12,666**	**54,310**
Other Housing Revenue Account Schemes							
Electronic Document and Records (EDRM) System	Paul Parkinson	24	0	0	0	0	**24**
Affordable Housing Developments Sutton In Ashfield	Paul Parkinson	1,199	142	0	0	0	**1,341**
Affordable Housing Development – Wesley Street, Annesley	Paul Parkinson	0	0	0	0	0	**0**
Investment in Additional Council Dwellings in Hucknall	Paul Parkinson	4	0	0	0	0	**4**
Investment in New or Existing Dwellings	Paul Parkinson	1,367	1,200	1,000	1,000	1,000	**5,567**
Davies Avenue Housing Project - Frog Hopper Lane	Paul Parkinson	0	2,288	0	0	0	**2,288**
Development of Unviable Garage Sites in Kirkby-in-Ashfield and Hucknall	Paul Parkinson	0	50	2,000	50	0	**2,100**
Firewalls	Paul Parkinson	1	0	0	0	0	**1**
Green Homes Grant (HRA) (1)	Paul Parkinson	454	65	0	0	0	**519**
Green Homes Grant (HRA) (2)	Paul Parkinson	334	0	0	0	0	**334**
Housing Vehicles	David Lawrence	662	389	0	92	0	**1,143**
Hucknall Infill Sites	Paul Parkinson	2,288	100	0	0	0	**2,388**
Major Repairs Temporary Accomodation	Paul Parkinson	20	46	47	46	47	**206**
Maun View Sutton-in-Ashfield	Paul Parkinson	100	3,176	50	0	0	**3,326**
Northern View, Sutton-in-Ashfield	Paul Parkinson	0	1,943	1,640	0	0	**3,583**
SAN Hardwear	Paul Parkinson	1	0	0	0	0	**1**
Switch Network Hardware	Paul Parkinson	4	0	0	0	0	**4**
Officers' IT for Agile Working (HRA)	Paul Parkinson	66	40	40	0	0	**146**
Vehicle Tracking Scheme	David Lawrence	20	0	0	0	0	**20**
Warwick Close, Kirkby-in-Ashfield	Paul Parkinson	0	2,375	2,375	0	0	**4,750**
Grand Total		**6,544**	**11,814**	**7,152**	**1,188**	**1,047**	**27,745**
Total Housing Revenue Account		**10,742**	**24,394**	**18,868**	**14,337**	**13,713**	**82,055**

Appendix 1 - Capital Programme

Area Capital Schemes

	Lead Officer	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Funding: Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total Funding £'000
Hucknall Area														
Play Areas	David Lawrence	78	0	0	0	0	**78**	**78**	**0**	**0**		**0**	**0**	**78**
Titchfield Park Brook	David Lawrence	231	0	0	0	0	**231**	**0**	**0**	**231**	**NCC**	**0**	**0**	**231**
Washdyke Recreation Ground	David Lawrence	18	0	0	0	0	**18**	**0**	**18**	**0**		**0**	**0**	**18**
Total Hucknall Area		**327**	**0**	**0**	**0**	**0**	**327**	**78**	**18**	**231**		**0**	**0**	**327**

	Lead Officer	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total Funding £'000
Sutton Area														
Ashfield Estate Footpaths	David Lawrence	0	5	0	0	0	**5**	**0**	**5**	**0**		**0**	**0**	**5**
Brierley Forest Park Management Plan	David Lawrence	8	0	0	0	0	**8**	**0**	**3**	**5**	**RPA £5k**	**0**	**0**	**8**
Brierley Forest Park Car Park Extension and Entrances	David Lawrence	62	0	0	0	0	**62**	**0**	**62**	**0**		**0**	**0**	**62**
Football Changing Rooms	David Lawrence	15	0	0	0	0	**15**	**0**	**15**	**0**		**0**	**0**	**15**
Healdswood Recreation Ground	David Lawrence	6	0	0	0	0	**6**	**0**	**6**	**0**		**0**	**0**	**6**
Kingsmill Reservoir footpath links	David Lawrence	1	0	0	0	0	**1**	**0**	**1**	**0**		**0**	**0**	**1**
Kingsmill Reservoir management plan: Implementation Works	David Lawrence	8	0	0	0	0	**8**	**0**	**0**	**8**	**Skanska**	**0**	**0**	**8**
Play Areas	David Lawrence	106	0	0	0	0	**106**	**106**	**0**	**0**		**0**	**0**	**106**
Riley Recreation Ground	David Lawrence	10	0	0	0	0	**10**	**0**	**10**	**0**		**0**	**0**	**10**
Roundhill Recreation Ground	David Lawrence	9	0	0	0	0	**9**	**1**	**0**	**8**	**LIS**	**0**	**0**	**9**
Sudbury Drive Play Area	David Lawrence	5	34	0	0	0	**39**	**0**	**0**	**39**	**Taylor Wimpey**	**0**	**0**	**39**
Sutton Lawn management Plan	David Lawrence	14	0	0	0	0	**14**	**0**	**6**	**8**	**NCC SLC**	**0**	**0**	**14**
Sutton Town Centre Improvements	David Lawrence	70	0	0	0	0	**70**	**0**	**70**	**0**		**0**	**0**	**70**
Taylor Crescent Recreation Ground	David Lawrence	10	0	0	0	0	**10**	**0**	**10**	**0**		**0**	**0**	**10**
Total Sutton Area		**324**	**39**	**0**	**0**	**0**	**363**	**107**	**188**	**68**		**0**	**0**	**363**

Appendix 1 - Capital Programme

Area Capital Schemes

	Lead Officer	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total Funding £'000
Kirkby Area														
Annesley Art Project	David Lawrence	29	0	0	0	0	**29**	**0**	**29**	**0**		**0**	**0**	**29**
Footpath Improvements Across the Larwood and Greenwood & Summit Wards	David Lawrence	0	15	0	0	0	**15**	**0**	**15**	**0**		**0**	**0**	**15**
Forest Road Nature Area	David Lawrence	30	0	0	0	0	**30**	**0**	**30**	**0**		**0**	**0**	**30**
Glen View/ Warwick Close	David Lawrence	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Kingsway Park: implementation of management plan	David Lawrence	16	0	0	0	0	**16**	**0**	**16**	**0**		**0**	**0**	**16**
Kirkby footpaths/cycle ways	David Lawrence	1	0	0	0	0	**1**	**0**	**1**	**0**		**0**	**0**	**1**
Kirkby Park and Play Areas	David Lawrence	2	0	0	0	0	**2**	**2**	**0**	**0**		**0**	**0**	**2**
Lindleys Lane Play/Youth Area	David Lawrence	32	0	0	0	0	**32**	**0**	**32**	**0**		**0**	**0**	**32**
Nuncargate Recreation Ground	David Lawrence	61	0	0	0	0	**61**	**0**	**53**	**0**		**8**	**0**	**61**
Rowan Drive	David Lawrence	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Sports pavilion, Titchfield Park	David Lawrence	39	0	0	0	0	**39**	**0**	**39**	**0**		**0**	**0**	**39**
Titchfield Park Play, Hucknall	David Lawrence	70	0	0	0	0	**70**	**0**	**70**	**0**		**0**	**0**	**70**
West Park	David Lawrence	1	0	0	0	0	**1**	**0**	**0**	**0**		**1**	**0**	**1**
Appendix 1 - Capital Programme		**281**	**15**	**0**	**0**	**0**	**296**	**2**	**285**	**0**		**9**	**0**	**296**

	Lead Officer	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total Funding £'000
Rural Area														
Friezeland Recreation Ground - Scooter Park	David Lawrence	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Jacksdale Car Park	David Lawrence	4	0	0	0	0	**4**	**0**	**0**	**4**	**Friends of Cromford Canal £1.75k, NCC £1.75k & Walk on Group £0.4k**	**0**	**0**	**4**
Rurals and Open Space	David Lawrence	120	0	0	0	0	**120**	**0**	**60**	**0**		**60**	**0**	**120**
Total Rural Area		**124**	**0**	**0**	**0**	**0**	**124**	**0**	**60**	**4**	**0**	**60**	**0**	**124**
Total Area		**1,056**	**54**	**0**	**0**	**0**	**1,110**	**187**	**551**	**303**		**69**	**0**	**1,110**

APPENDIX 2

MEDIUM TERM FINANCIAL STRATEGY

Introduction

The Council continues to operate in an extremely challenging and uncertain financial environment following a prolonged period of significant budget reductions since 2010 and on-going and increasing inflationary spending pressures. This uncertainty has been exacerbated by the ongoing impact of the COVID19 pandemic, a further one-year funding settlement for 2022/23, the delayed Fair Funding Review, funding uncertainties associated with the future of the business rates system, the future distribution methodology for New Homes Bonus, and uncertainty about the level of Government funding overall. This uncertainty will remain until the Government makes further announcements.

The Revenue element of this MTFS focusses on the General Fund only as a separate HRA MTFS was presented to and supported by Cabinet on 25 January 2022.

Summary General Fund MTFS

Recognising the significant funding uncertainty described above, the table below sets out the prudent estimated financial challenge for the years 2022/23 to 2024/25. The sections below the table confirm the assumptions underpinning the estimated funding gaps in each year.

	2022/23	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**
Estimated Expenditure	**15,456**	**13,267**	**13,311**
Estimated Income	**-15,456**	**-10,991**	**-11,024**
Estimated Cumulative Funding Gap	**0**	**2,276**	**2,287**
Estimated Annual Funding Gap	**0**	**2,276**	**11**

The above estimated funding gaps from 2023/24 currently include the following annual inflation assumptions (which may change on further review):

- Pay inflation (2%)
- Superannuation back-funding (3.6%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- Insurance (2.0%)
- No allowance for any inflationary increase in District Council Tax increase from 2022/23
- No allowance for any growth in the Council Tax Base (Number of properties)
- No assumption has been made about the future Employers Superannuation Contribution Rate. This rate can change significantly. Each 1% change equates to £69k per year. The new rate will apply from April 2023.
- No inflation assumption in relation to Fees and Charges beyond 2022/23 is included.

The above estimated funding gaps also assume that there will be no future New Homes Bonus receipts (the outcome of the consultation is not yet known in terms of whether if and how this funding may be distributed into the future). It also assumes that the Lower Tier Services Grant and the one-off Services Grant announced for 2022/23 will also both cease with no replacement funding. The sections below provide a sensitivity analysis for each expenditure and funding component, where applicable.

Revenue Expenditure

The table below shows the inflation assumptions used in formulating the estimated expenditure requirements for 2022/23 to 2024/25. The table also shows, based on 2023/24 budgeted inflation, how sensitive each of the assumptions are to a +/-1% variation of the assumed level of inflation:

Spend Type	**Inflation % Assumption per annum from 2023/24**	**Estimated Annual Inflation cost 2023/24**	**Impact of +/- 1% variation**
Pay Award	2.0%	£352k	+/- £176k
Superannuation Back-funding	3.6%	£44k	+/- £12k
Utilities & Fuel	5.0%	£59k	+/- £12k
Contracts	2.4%	£57k	+/- £24k
Insurance	2.0%	£5k	+/- £3k

The table clearly shows that the most ‘sensitive’ expenditure element is pay. The MTFS model assumes an annual pay award of 2%, however, given current and forecast levels of inflation this may prove to be understated. Future iterations of the MTFS will reflect any revised changes to this 2% assumption.

A 1% variation on the other spend types is significantly less impactful, however, the 5% inflation assumption may also prove to be understated. This again will be monitored and future iterations of the MTFS will reflect any revised changes to this 5% assumption. It should be noted that the energy budgets set for 2022/23 have been rebased to reflect the significant inflationary increases expected for 2022/23.

The Superannuation back-funding increase is based on the last Pensions Triennial Revaluation. The inflation assumptions for both superannuation back-funding and the Employers Contribution Rate will be updated on receipt of the next Triennial Revaluation which is expected at the end of March 2022.

Revenue Funding

Council Tax

Over the last 3 years the growth in the Council Tax base (number of Band D equivalent properties) has varied significantly; 0.45%, 0.11% and 0.94% respectively.

The table below shows what would be the annual impact on the Council Tax base from a freeze (no growth) to an increase of 1.25% combined with the District Council Tax inflation ranging from a freeze to a £5 annual increase.

Achieving a 1% growth in the base and a decision to implement an annual £5 inflationary increase would generate an additional £239k to help support the Budget from 2023/24. This Council Tax growth also has a compounding effect into future years.

The current estimated funding gaps assume no growth in property numbers and no annual inflationary uplift.

Annual Council Tax Sensitivity - Inflation and Band D Equivalent Growth

		Council Tax Base Growth (Band D Equivalent Properties)					
		Freeze	0.25%	0.50%	0.75%	1.00%	1.25%
		£'000	£'000	£'000	£'000	£'000	£'000
Annual Council Tax Inflation Rate	Freeze	0	17	33	50	67	83
	1%	67	83	100	117	134	151
	2%	133	150	167	184	201	218
	£5	170	187	204	221	239	256

Business Rates

The Council uses LG Futures for advice on levels of central Government funding. Their assessment of Business Rates income to the Council over the next 2 years based on the assumption that there will be a realignment with ‘assessed need’ is:

	Lower Estimate	Central Estimate	Upper Estimate
	£'000	£'000	£'000
2023/24	3,471	3,615	3,706
2024/25	3,934	4,141	4,265

The 'central estimate' has been assumed in calculating the estimated funding gap for 2023/24 and 2024/25.

New Homes Bonus

The Council's New Homes Bonus allocation for 2022/23 of £486k includes the final year of legacy payment £177k and £309k earned from properties in excess of the 0.4% growth threshold for receiving payment.

The Government consulted on the future of New Homes Bonus last year, however, the outcome from the consultation is not yet known. It is still unclear whether it will continue into the future and if so on what basis. The Consultation included questions about views on raising the 0.4% threshold before accessing payment. More recently there is speculation as to whether it will continue at all or be distributed via other means as part of the Government's Levelling Up agenda.

Because of this significant uncertainty at this stage, the MTFS assumption is that we will not receive this funding beyond 2022/23.

Other Grants

Lower Tier Services Grant – this grant was originally paid as a one-off grant in 2021/22. It has been confirmed that Council's will receive this funding for 2022/23 but it is unclear whether this funding will continue beyond 2022/23 and if so, how it may be distributed. The amount received by the Council in 2021/22 was £198k. For 2022/23 the amount has been revised down to £178k.

Because of this significant uncertainty at this stage the MTFS assumption is that we will not receive this funding beyond 2022/23.

Services Grant – this grant is a new grant for 2022/23 and has been described as one-off. The amount for Ashfield District Council is £268k.

As the finding has been denoted as one-off, the MTFS assumption is that we will not receive this funding beyond 2022/23.

Income from Investment Properties

The Council is heavily reliant on its income from Investment Properties. The gross income from these amounts to £4.714m in 2022/23. The Gross and Net income position is shown in the table below. The net income assumes interest on external borrowing will be incurred. The Council currently has a significant under-borrowed position which means that it is able to use its own finances rather than borrowing and incurring interest costs.

It is the gross income figure which is the more important figure in terms of considering the MTFS as this is the level of risk exposure to rent income.

To mitigate this risk the Council has a Commercial Property Investment Reserve which will have a value of £3.950m by the end of March 2023. This reserve is available to mitigate loss of rent income should a tenant's business fail or in the event of a period of vacant possession if lease break clauses are exercised.

	2022/23	**2023/24**	**2024/25**
	£000s	**£000s**	**£000s**
Gross Income	£4,714	£4,816	£4,727
Net Income	£2,228	£2,306	£2,193

Addressing the future estimated Financial Challenge

The Corporate Leadership Team (CLT) and Cabinet meet regularly to identify and agree options to address the estimated financial challenge in the MTFS for 2023/24 and beyond to ensure the Council has a sustainable future.

Consideration is given to options for additional income generation, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme.

Consideration is also given to the use of one-off reserves to smooth the delivery of savings to address the financial challenge over the next few years. The significant reduction in central funding assumed from 2023/24 relates to significant anticipated reductions in the level of Business Rates which will be available to the District Council. The Council has a Business Rates Equalisation Reserve which is estimated to be £3.774m by the end of March 2023. This funding is available to help smooth the loss of income from this source and contribute to addressing the funding gap in the short-term.

It is important to note that the identification of savings and additional income generation opportunities will be key going forward as without these, the Business Rates Equalisation Reserve of £3.774m will only sustain the Council for 2023/24 (£2.776m) and 4 months of 2024/25 (£998k), without a need to utilise any of the General Reserve balance.

Capital Programme

A summary of the Council's Capital Programme (General Fund and HRA) for the period 2021/22 to 2025/26 is shown in the table below.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
General Fund Schemes						
IT Schemes	144	95	60	60	60	419
Leisure Transformation Schemes	14,271	8,335	0	0	0	22,606
Green Home Grants	948	225	0	0	0	1,173
Future High Street Funded Schemes	4,995	3,423	363	0	0	8,781
Schemes less than £100k	206	25	0	0	0	231
Depot Roof	950	0	0	0	0	950
External health and safety works required for the Urban Road office	216	0	0	0	0	216
Hucknall Car Park - Titchfield Street	0	115	0	0	0	115
In District Regeneration	0	3,000	0	0	0	3,000
Improvement Grants 1996 Act Disabled Facility Grant	1,122	1,122	1,122	1,122	1,122	5,610
Kings Mill Reservoir Car Park Expansion	0	192	0	0	0	192
Kings Mill Reservoir (The King and Miller to Kingfisher)	435	0	0	0	0	435
Purchase of Vehicles	353	3,781	550	2,047	186	6,917
Towns Fund Projects	4,635	0	0	0	0	4,635
Sub Total	**28,275**	**20,313**	**2,095**	**3,229**	**1,368**	**55,280**
Area Scheme Parks and Recreation						
Hucknall Area	327	0	0	0	0	327
Sutton Area	324	39	0	0	0	363
Kirkby Area	281	15	0	0	0	296
Rural Area	124	0	0	0	0	124
Sub Total	**1,056**	**54**	**0**	**0**	**0**	**1,110**
Housing Revenue Account						
Decent Home Schemes	3,775	11,706	11,344	12,789	12,256	51,871
Disabled Adaptations	423	874	372	360	410	2,439
IT Schemes	96	40	40	0	0	176
Green Home Grants	788	65	0	0	0	853
Affordable Housing Developments Sutton In Ashfield	1,199	142	0	0	0	1,341
Investment in Additional Council Dwellings in Hucknall	4	0	0	0	0	4
Investment in New or Existing Dwellings	1,367	1,200	1,000	1,000	1,000	5,567
Davies Avenue Housing Project - Frog Hopper Lane	0	2,288	0	0	0	2,288
Development of Unviable Garage Sites in Kirkby-in-Ashfield and Hucknall	0	50	2,000	50	0	2,100
Housing Vehicles	662	389	0	92	0	1,143
Hucknall Infill Sites	2,288	100	0	0	0	2,388
Major Repairs Temporary Accommodation	20	46	47	46	47	206

Maun View Sutton-in-Ashfield	100	3,176	50	0	0	3,326
Northern View, Sutton-in-Ashfield	0	1,943	1,640	0	0	3,583
Vehicle Tracking Scheme	20	0	0	0	0	20
Warwick Close, Kirkby-in-Ashfield	0	2,375	2,375	0	0	4,750
Sub Total	**10,742**	**24,394**	**18,868**	**14,337**	**13,713**	**82,055**
Grand Total	**40,073**	**44,761**	**20,963**	**17,566**	**15,081**	**138,445**

Details of how each of the above schemes is being funded is set out in the table below:

	Borrowing £'000	S106 £'000	Grants £'000	Capital Receipts £'000	Reserves £'000	Total £'000
General Fund Schemes						
IT Schemes	419	0	0	0	0	419
Leisure Transformation Schemes	19,606	0	3,000	0	0	22,606
Green Home Grants	0	0	1,173	0	0	1,173
Future High Street Funded Schemes	2,401	0	6,380	0	0	8,781
Schemes less than £100k	68	47	86	0	30	231
Depot Roof	0	0	0	950	0	950
External health and safety works required for the Urban Road office	216	0	0	0	0	216
Hucknall Car Park - Titchfield Street	22	93	0	0	0	115
In District Regeneration	2,000	0	0	500	500	3,000
Improvement Grants 1996 Act Disabled Facility Grant	0	0	5,610	0	0	5,610
Kings Mill Reservoir Car Park Expansion	176	0	16	0	0	192
Kings Mill Reservoir (The King and Miller to Kingfisher)	62	0	283	0	90	435
Purchase of Vehicles	6,890	0	0	27	0	6,917
Towns Fund Projects	1,266	0	3,369	0	0	4,635
Sub Total	**33,126**	**140**	**19,917**	**1,477**	**620**	**55,280**
Area Scheme Parks and Recreation						
Hucknall Area	78	18	231	0	0	327
Sutton Area	107	188	68	0	0	363
Kirkby Area	2	285	0	9	0	296
Rural Area	0	60	4	60	0	124
Sub Total	**187**	**551**	**303**	**69**	**0**	**1,110**
Housing Revenue Account						
Decent Home Schemes	0	0	0	5,280	46,591	51,871
Disabled Adaptations	0	0	0	0	2,439	2,439
IT Schemes	0	0	0	0	176	176
Green Home Grants	0	0	430	0	423	853
Affordable Housing Developments Sutton In Ashfield	0	0	360	0	981	1,341
Investment in Additional Council Dwellings in Hucknall	0	0	0	1	3	4

Investment in New or Existing Dwellings	0	0	0	2,227	3,340	5,567
Davies Avenue Housing Project - Frog Hopper Lane	0	0	0	0	2,288	2,288
Development of Unviable Garage Sites in Kirkby-in-Ashfield and Hucknall	0	0	610	0	1,490	2,100
Housing Vehicles	0	0	0	0	1,143	1,143
Hucknall Infill Sites	0	0	540	0	1,848	2,388
Major Repairs Temporary Accommodation	0	0	0	0	206	206
Maun View Sutton-in-Ashfield	0	200	680	0	2,446	3,326
Northern View, Sutton-in-Ashfield	0	0	1,000	0	2,583	3,583
Vehicle Tracking Scheme	0	0	0	0	20	20
Warwick Close, Kirkby-in-Ashfield	0	0	1,460	0	3,290	4,750
Sub Total	**0**	**200**	**5,080**	**7,508**	**69,267**	**82,055**
Grand Total	**33,313**	**891**	**25,300**	**9,054**	**69,887**	**138,445**

The above programme includes the Future High Streets schemes as all four of these schemes have commenced, but as yet does not include the Towns Fund schemes, other than the upfront 5% payment of Towns Fund from the Department of Business, Energy and Industrial Strategy (BEIS) which is reflected in the above programme. As Business cases are approved by BEIS the planned spend profiles will be added to the programme in the relevant financial years.

Below are the proposed ambitious and regenerative schemes (Towns Fund, Future High Streets Fund and Leisure Transformation Programme) included or to be included in the Capital Programme over the next 5 years.

HEALTH AND HAPPINESS

North Kirkby Gateway (Towns Fund)

The primary purpose of this scheme is to consolidate health provision in the 'North Kirkby Gateway' area developing a Health Hub. The project will include development of a block of flats and will create a new plaza café/restaurant. The new health hub will accommodate the general practices currently located around the north and east sides of the plaza. By vacating these sites further development opportunities will be created. The Health Hub building will also accommodate the Portland Pathways project, a local skills and employability initiative, working with employers to support people with learning difficulties and disabilities to access employment. In addition, there will be a new café/restaurant built on the Plaza.

Kirkby Sports Hub (Towns Fund)

The project will provide enhanced provision at Kingsway Park in Kirkby with the creation of a Sports Hub, with the following new facilities provided: New changing rooms to replace the existing facility; New bowls pavilion to replace the existing facility; Improvements to grass pitch areas to create five additional adult and mini football pitches; Upgrading of floodlighting on the synthetic pitch and adjacent grass pitch. Early feasibility work will identify whether the existing cafe building should also be replaced.

Sutton Lawn Sports Hub (Towns Fund)

This project will develop a multi-sports hub at Sutton Lawn, with a focus on football. The Lawn is the main park for the area, located on the edge of the town centre, with existing facilities for football, tennis and bowls.

Site improvements to be delivered include: New sports pavilion to replace existing provision; additional full size 3G (synthetic pitch) and refurbishment of existing full size 3G, including replacement LED floodlighting; additional grass pitches - removal of old all-weather/ shale pitch surface and creation of area for grass mini-pitches; drainage

improvements to existing U13/14 11v11 and 9v9 grass pitches; Upgrading of access road, additional car park with grass reinforced grid system for 105 cars and the upgrading of the tennis facilities.

The site is managed by Sutton Community Academy, part of the Academy Transformation Trust for Further Education (ATTFE) and is used by the academy during school hours, with community use in the evenings and at weekends.

Sutton Lawn is the only site in the area large enough to accommodate a sports hub which can meet the demand for higher quality facilities and greater usage. Currently football facilities are provided at seven sites across Sutton, many of the changing rooms and pitches are in poor condition. A central, accessible venue can provide better quality facilities with enhanced maintenance and reduced overall revenue costs for the local authority.

Cycling and walking routes (Towns Fund)

To provide a comprehensive network of high-quality walking and cycling routes. Upgrading sections of existing routes, and the creation of new sections will support the development of the visitor economy and provide improved connections to key employment areas and public transport links.

The main routes being upgraded and/or created are: Hucknall-Kirkby-Sutton-Mansfield, Sutton - Derbyshire, Huthwaite - Sutton and Sutton- Sherwood Observatory. The route navigates through the town centres linking to Sherwood and Castlewood Business parks to the south and west and visitor attractions including Mill Waters at Kings Mill Reservoir, the Science Discovery Centre, Planetarium and Observatory, and Hardwick Hall to the east and north respectively picking up links to residential areas throughout. The funding will contribute towards detailed design, safety audits, statutory consents, resurfacing, new walking and cycling network construction, signage and line marking. In total 8.26 kilometres of upgrades, including new routes will be completed and general cycle improvements across a total of 11.94 kilometres of network.

Kings Mill Reservoir leisure development (Towns Fund)

Provision of a new flagship leisure building and an outdoor adventure area. The building will accommodate opportunities for a night-time economy, events and meeting space alongside growth in water sports and recreational activities. The Towns Fund investment will contribute to the building which will provide commercial space on the first floor and space for outdoor sports facilities on the ground floor.

Nottinghamshire County Council (NCC) Mill Adventure Base will invest £1m in new public outdoor adventure facilities including climbing, high ropes and trail activities. The outdoor facilities will also be improved by construction of a new beach area aiding access to the

water for boating and future proposals for open water swimming and inflatable courses. An additional parking area will also be provided to accommodate the increasing visitor numbers to the new facilities.

Hucknall Leisure Centre

Exciting advances are happening at the Hucknall Leisure Centre swimming pool following the news in December that the £2.7million teaching pool was given the green light by Ashfield District Council planning department. Swimmers are now able to take advantage of the brand new wet-side changing village which features different-sized areas to accommodate multiple users, such as single and family-sized cubicles.

Kirkby Leisure Centre

Work on the new Kirkby Leisure Centre is progressing rapidly with plans to open this summer. In December the concrete foundations for the 25m swimming pool and splash pad were laid, all internal partitions have been erected, including the walls for the impressive sports hall. The new £15.5m leisure centre will feature a gym, sports hall, indoor cycling studio, climbing wall, inclusive spaces as well as Kirkby's first ever swimming pool.

ECONOMIC GROWTH AND PLACE

Low Street Property Purchase and Repurposing (Future High Streets Fund)

The Low Street project is a Future High Streets Funded scheme which facilitates acquisition of vacant units and conversion for commercial and residential use.

To date, the Council has acquired 14 Low Street and 9-11 Low Street - both of which will be refurbished at ground level for commercial use (2 in each unit) and the upper floors converted to residential (14 Low Street will contain two flats whilst 9-11 Low Street will provide up to 4 flats - all of which will be 2 bedrooms).

Fox Street (Future High Streets Fund)

A pop-up food market & car park will be provided which will; Enhance and improve the public realm; Increase footfall into the town centre by creating a direct pedestrian friendly route from the well-used ASDA car park to Portland Square; Regenerate a derelict area of land within the town centre's core; Bring the site back into public use by creating a flexible outdoor public space within the town centre which will provide a location for markets; additional parking capacity and a dedicated events space; enhancing existing site features and incorporating tree and shrub planting to create a modern, well designed public space using high quality materials.

Sutton Theatre (Future High Streets Fund)

Sutton Community Academy is located in the heart of Sutton along High Pavement with immediate access to the main high streets of Sutton. The site is owned by Ashfield District Council and Nottinghamshire County Council with a long term lease to Sutton Community Academy.

The theatre facilities are outdated and no longer fit for purpose. The facility will be fully refurbished and reconfigured (including new build extension) to create a venue for theatre, cinema and live music.

Portland Square, Sutton (Towns Fund)

Refurbishment of Portland Square to create high quality public realm to bring vitality and vibrancy to the town centre, providing a catalyst for future investment and development; supporting the night-time economy to develop and flourish; to support the surrounding commercial premises and reduce vacancy rates with increased tree and shrub planting.

Visitor digital offer (Towns Fund)

A new Discover Ashfield website and Augmented Reality (AR) experience app will tell the great stories of the area; showcasing it as an attractive place to live, visit, study, work and do business. The website will focus on developing the visitor economy and promoting visitor attractions, as well as the business theme to promote the area for investment and provide information for businesses. It will also provide useful and engaging information for residents, further developing the ‘Love where you Live’ and ‘Be Healthy, Be Happy’ themes.

The AR experience app content will be focused on visitor attractions and will include mapping features to direct users to points of interest along a trail.

Science Discovery Centre and Planetarium (Towns Fund)

To provide a unique landmark visitor attraction through the creation of a planetarium and education centre which will utilise a half-submerged, brick built Victorian underground reservoir.

An immersive visitor experience will be created within the planetarium dome allowing visitors to experience the wonders of the Universe as well as special events featuring film shows, live music with light shows and imagery transmitted from the nearby observatory. The planetarium will be 10m in diameter and seat approximately 60 people. It will be the same size as the planetariums at the Centre for Life in Newcastle Upon Tyne and Thinktank, Birmingham.

A Unique Selling Point (USP) of the centre is that it will be integrated with the existing Sherwood Observatory which houses one of the largest publicly accessible telescopes in the UK and will form part of the overall visitor experience.

The new centre will deliver inclusive and innovative community and educational programming with a focus on promoting astronomy to visitors of all ages as a vehicle for engaging people in Science, Technology, Engineering and Mathematics (STEM) related subjects. The centre will bring science to life - in fun, entertaining and informative ways and support the skills and knowledge essential for future employment.

The new facility will be located adjacent to the existing on-site observatory and will provide:

• Planetarium, café and entrance foyer, with an education centre located in the former underground reservoir. The education centre will have capacity for at least 60 visitors.

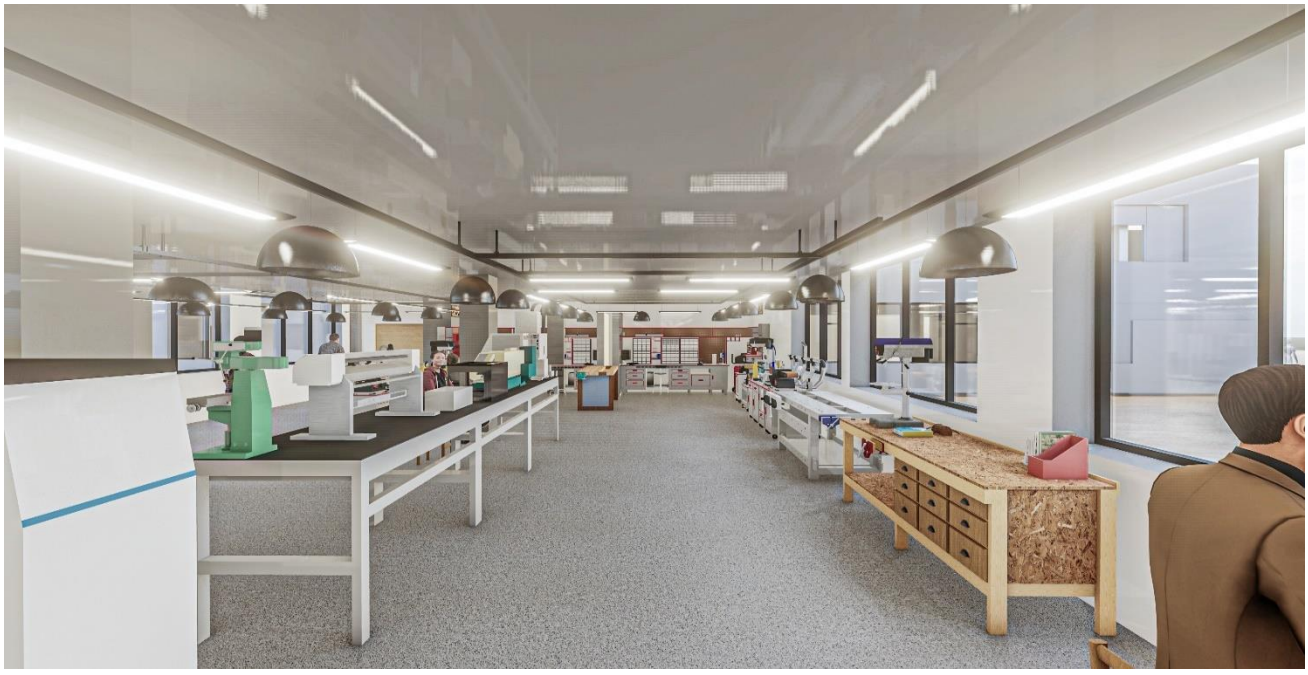
• A multi-functional exhibition space and meeting rooms that can be hired for a variety of uses.

• The car park will be extended to meet the additional demand.

• A range of pathways to education for residents with an emphasis on young people through schools and wider inclusive community programming.

Maker Space and Business Hub (Future High Streets Fund)

Conversion of the ground floor to create a Maker Space as well as an area for educational use, with a business hub on the first floor. The Maker Space is a community workshop facility with equipment for members to use, learn new skills, invent, and build, providing tools and equipment for woodwork, metalwork, textiles and digital. The business hub will



provide small units for new and existing small and medium enterprises with communal kitchen facilities, meeting space and breakout areas. Service charges for the business hub and education space will fund ongoing maintenance costs. and breakout areas. Service charges for the business hub and education space will fund ongoing maintenance costs.

Automated Distribution and Manufacturing Centre (ADMC) (Towns Fund)

The vision is to create a nationally and potentially internationally recognised centre, modelled largely on the UK's existing Catapult Centres. The concept has the support of Innovate UK, D2N2 LEP, Make UK and the MTC. The public sector partners are Ashfield District Council, Vision West Notts College and Nottingham Trent University

The ADMC will be a purpose built, multifunctional centre, with space allocated for:

• research and development

• new product development and testing

• education and skills development

• technology showcasing

• networking, collaboration and event hosting.

It will encompass researchers, engineers and technical specialists, both directly employed and from a range of partners and stakeholders.

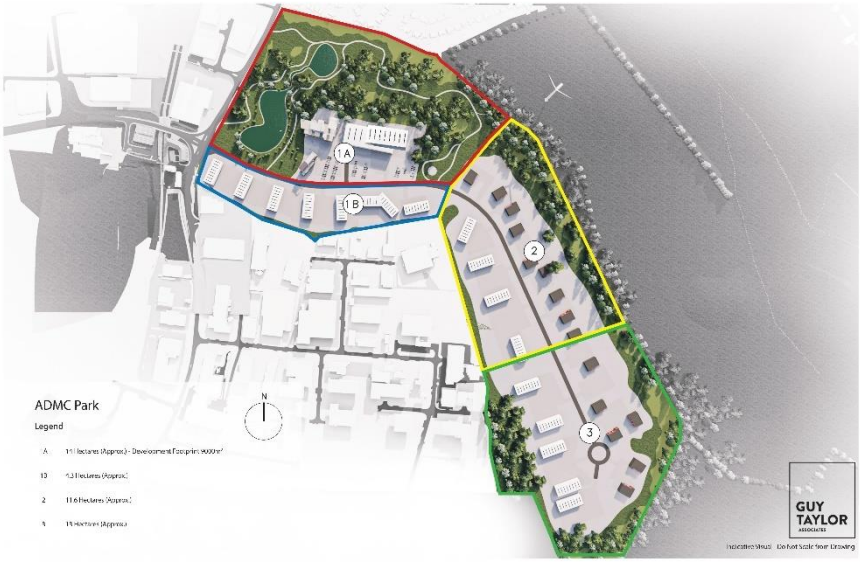
The centre will be designed to address the existing and future challenges faced by both Large Enterprises (LEs) and Small & Medium Enterprises (SMEs).

To support the adoption, integration and expansion of new automated technologies amongst local and regional businesses of all sizes and at all stages of development in order to improve productivity and competitiveness.

Engagement with the ADMC will be based on a mix of business models from memberships to pay as you go commercial terms. Through a configurable approach, we aim to attract companies of all sizes, from start-ups to established multi-nationals to use the centre.

As well as the centre itself, the wider plan includes development of the surrounding area for commercial enterprise, based on a technology park model.

Alongside Vision West Notts. College and University partners the ADMC will allow employers to meet the increasing needs of talent and upskilling to match the advances in innovation and technology. We anticipate the centre will have its own automation hardware, based on a combination of widely used ‘standard’ equipment, for the development of core skills, as well as specialist equipment that can be made available for short to medium terms.



Ashfield Construction Centre and Satellite (Towns Fund)

The project will create a regional skills hub for construction and engineering to deliver Entry, and Level 1 courses to young people aged 16 - 18 (24 with an Education Health and Care plan EHC), with provision for adult learners, apprenticeships, and community courses. The project will create a unique partnership between a mainstream provider and providers for NEET/disadvantaged young people, building on the success of Sutton Academy and Inspire in engaging with more disadvantaged learners.

The ambition is to take a leading role in providing outstanding education and training within the Construction, Building Services and Engineering sectors and to lead the way in raising standards within industry. The centre will provide courses in all construction professions such as bricklaying, carpentry and joinery, plastering, electrical installation and plumbing, as well as functional skills/GCSEs in English, maths and ICT. Expansion of the curriculum will focus on sustainable construction and more specialist areas, including automation and robotics and advanced manufacturing, Construction & Design Management, Building Information Modelling, concreting, formwork and steel fixing.

The workshop areas will enable a multi-skills curriculum that is engaging and tailored to learners with lower levels of prior attainment and those less certain of their career pathway.

The main centre will be supported by satellite provision at Portland College, providing fully accessible entry to construction for learners with an EHC plan. Re-purposing of an existing building will cater for additional needs including positive behaviour support, with access to a

multi-disciplinary therapy team. Intensive work on education, independence and employability will provide the foundations to progression to the main centre.

Ashfield Civil Engineering Centre (Towns Fund)

The development of a new centre for Vision West Notts. College will allow for the provision of a new curriculum area, increasing progression and job opportunities. The vision is to create as close as possible to a working site which will provide real work experience for young people, better preparing them for work in these industries.

The new curriculum area will focus on trades related to civil engineering, transport and environmental engineering, with a focus on courses from Level 3 to Level 7 which will support the Government's National Skills Strategy priority of developing skills to Level 3 and above.

Enterprising Ashfield (Towns Fund - Revenue Scheme)

Although this is a Towns Fund Revenue Scheme it is included here to ensure all Towns Fund projects are demonstrated.

Enterprising Ashfield (EA) will deliver a comprehensive Start-up to Scale-up business support programme from venues in Kirkby and Sutton. EA will be delivered by Nottingham Trent University, based upon its track record of supporting enterprise and innovation. Through continuous consultation and co-design with employers, EA will create a dynamic and responsive programme building direct access to university research, expertise and facilities, and provide support for high level skills and graduate talent. It will create new enterprises, deliver growth and increase productivity for existing businesses. It will be a bespoke programme for Ashfield based upon local business need.

Headstart – a structured business idea evaluation programme will equip young entrepreneurs with the skills and knowledge to establish, sustain and grow their own business. The programme also supports skilled and experienced technical workers, made redundant due to the pandemic, to establish businesses by developing and enhancing their business skills. Businesses will have access to specialist coaches and mentors and to seed-corn financial support.

Support for Growth – strategic leadership and management capabilities will be enhanced through expert workshops and facilitated peer-to-peer learning. Access to academic expertise, research and world-class facilities will assist SME's to develop innovative new products, processes and services to access new markets. The programme will enable businesses to increase their growth potential, grow new markets, and enhance job creation opportunities.

High Level Skills – working with businesses to identify future skills needs with a strong focus on digital skills. Individuals will develop new skills and career potential through a range of training and upskilling opportunities, including flexibly delivered short courses and degree apprenticeships. Co-designed high-level skills programmes, will be linked to strategic growth and innovation supported in other work packages.

Graduate talent – support for graduate recruitment and to provide part-funded graduate placement opportunities, provide companies with new university knowledge, technological know-how and new ideas to support innovation. Businesses will also be helped to improve their performance in staff attraction, recruitment and retention.

Library Innovation Centres (Towns Fund)

To create digital hubs at Kirkby and Sutton libraries, with a business hub created at Sutton Library, linking to the Enterprising Ashfield programme. Services will enhance the employability, financial wellbeing and life skills of local residents.

The project will provide accessible facilities and training courses for foundation digital skills, support those without access and people to move to more advanced provision.

The main provision will be at the larger library in Sutton, where the refurbishment and technical upgrade of a disused 140 seat lecture theatre, and creation of meeting / breakout spaces will facilitate:

• Digital access and access to technology, including Code Club

• Adult and family learning and skills programmes (informal and accredited learning)

• Small business conferences / seminars

• Business and job seeker work bases / incubator hubs

• Job seeker / employability hub / information advice and guidance services

• Community activity – Inspire ‘community makers’ coffee & chat

• Community access to digital equipment, for example VR/AR, simulation, video production and mini – recording studio.

At the satellite centre in Kirkby, refurbishment and reorganisation will create space for a skills hub and a flexible, digitally enabled learning space. Provision of a range of digital equipment will support:

- Access to a range of entry level and non-standard equipment
- Digital skills programmes – taught and self-directed
- Adult and family learning programmes, including digital skills

CLEANER AND GREENER

West Kirkby Gateway & public transport hub (Towns Fund)

The project will regenerate the area around Kirkby Railway Station which creates the gateway to the town centre. The project will deliver station improvements to complement future Network Rail investment.

Improvements to the station will include increasing parking capacity by 65% including incorporating electric charging stations. A new small commercial unit which can accommodate a café type offer and support future options for network operators staffed facilities at the station will be developed alongside an integrated bus pull-in area.

Green Ashfield (Towns Fund)

The purpose of the project is to generate significant carbon reductions by providing sustainable energy solutions for existing Council owned buildings. It will also provide a demonstrator project to encourage other public sector organisations and businesses to invest in green technology. The scheme will initially focus on the installation of Solar Photovoltaics (SPV) onto roofs. This approach will be reviewed as the project and technology evolve over the five-year period and other options become available.

HOMES AND HOUSING

High Street Property Fund (Towns Fund)

This project involves the purchase, repurposing and refurbishment of high street properties. It will focus on areas in greatest need of intervention, for example Outram Street and the high streets in Huthwaite and Stanton Hill in Sutton, Kirkby high street and Annesley in Kirkby.

A sustainable scheme will be created with a housing company set up to manage a portfolio of properties to buy, sell and rent. The income from the rental and re-sale of properties will then be invested to buy more properties, creating a sustainable cycle of investment. Each property will be reviewed to determine the most appropriate use and will usually be converted for residential use. The most suitable options for minimising the energy consumption of the properties (reducing carbon) will be applied on a property by property basis. The potential for commercial uses will be considered where there is established demand which would support the local high street.

This project includes the units where Moor Market has been created on Lowmoor Road where the first floor is being converted for residential use.

Portland Street Sustainable Housing (Towns Fund)

The site bordering Portland Street in Kirkby, on the edge of the town centre comprises vacant commercial properties, and a mix of dilapidated retail with a small number of residential properties covering an area of 1.4 hectares. Land and property will be purchased for land assembly for a sustainable affordable housing development in the vicinity of the North Kirkby Gateway. Intervention is required as the land assembly involves several different landowners and a relatively small area of land, making it unattractive to developers.

A partnership project with Ashfield District Council and a private sector developer will bring forward a scheme for high quality, low carbon, affordable housing. The development has the potential to include a new road link to the adjoining Patco development site to improve traffic movement in the town centre. The Patco site is a 2.7 hectare vacant commercial site which is being brought forward for development by the landowner. Jointly the sites provide 4.1 hectares of land on the edge of the town centre, suitable for housing and commercial development. A link road through the two sites could provide some benefits to improve access to the development and reduce pressure on town centre routes.

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APPENDIX 3

FINANCE HEALTH CHECK

Ashfield District Council

Date: December 2021

Prepared by: Barry Scarr, LGA Financial Improvement and Sustainability Advisor

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1 Executive Summary

Ashfield Council has a net revenue General Budget of £13.1m after planned use of reserves. The Council is well managed financially and has consistently spent within its budget.

The Council's largest funding source as a percentage of its resource base is Council Tax. The Council has chosen not to maximise council tax increases, and as a result has foregone £2.7m income since 2014/15. The Council has previously generated significant income (£2m+) from commercial property investments, but further returns are not achievable due to changes in regulations. The tendency not to maximise council tax levels needs to be examined in the light of future budget gaps, the level of future uncertainty, and the inability to generate further commercial income.

The Council has significant levels of external income, but benchmarking shows that the levels in relation to car parking are lower than geographical neighbours. This could be an area for review if the Council needs to fill budget gaps.

The Council has robust budget setting and budget monitoring procedures and has managed well during the pandemic. The role of Scrutiny in budget setting is light touch and could be bolstered.

The Council has been very successful in attracting £70m for external funding, and this provides an opportunity to optimise the capital programme with a longer-term focus on delivering priorities.

Budget monitoring is risk assessed, and high-risk budgets are monitored monthly with services. There are regular formal reports to Cabinet, and the Council has a track record of delivering balanced budgets. The Council reviews base budget in the light of previous spending, which ensures that budgets remain aligned. The Council has a strategic approach to transformation and utilising invest to save. Savings delivery is monitored and has high success rates.

Historically, the Council has not used reserves to balance the budget, and earmarked reserves are used judiciously. Reserves have increased during the pandemic due to grant funding, and major S106 money has been received. The level of reserves as a proportion of next expenditure is within benchmark with CIPFA nearest neighbours. Given the level of volatility with Covid recovery and funding changes, the level of reserves is adequate, but needs to be maintained. Using reserves to balance the medium-term budget should not be an option.

Borrowing levels are stable, and the Minimum Revenue is applied on an annuity basis. This will see a reduction in the underlying need to borrow over the coming years as debt repayment increases but will have a downside effect of creating pressure in the revenue budget over the longer term.

2 Robustness of Financial Plans

Budget Preparation Process and Budget Setting

The Council starts preparation on the major foundations of the budget and MTFS during early summer with a Cabinet/CLT workshop. At the start of August, work begins on a base budget review, and from September to November there are further Cabinet/CLT workshops. Capital bids are subject to a CLT gateway review in August, where bids are scored before they are presented to Members.

In parallel, from October to November, detailed service budgets are co-ordinated by finance, and the technical aspects of the budget are also worked on (capital, MRP, Treasury etc.).

Further Cabinet/CLT workshops are held before and after the announcement of the provisional Local Government Finance Settlement, and the proposed budget is finalised in early February after the final Local Government Finance Settlement.

Scrutiny starts looking at the budget in early February. There are no formal reports to Scrutiny on the budget; the Section 151 Officer does a presentation on the budget and MTFS, and Scrutiny makes recommendations to February Cabinet based on this. The presentation did not occur for the 2021/22 budget, and the minutes show:

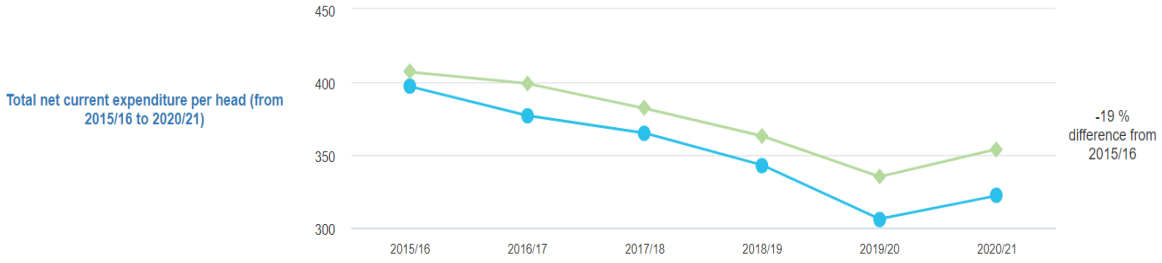
"Committee Members were advised that the Corporate Finance Manager (and Section 151 Officer) could not be in attendance at the meeting and the agenda item was therefore withdrawn. Members would be afforded the opportunity to comment on the content of the 2021/22 annual budget via alternative means."

It is not clear what alternative means were put in place, and the Cabinet minutes do not reflect any Scrutiny input.

The full set of budget proposals and supporting documents is considered by Council in early March.

The latest budget and MTFS, for the year 2021/22 reported to Cabinet in February 2021, proposed a net budget requirement for the General Fund of £13.1m.

Comparison to net revenue expenditure (NRE) per head of the population for Ashfield CIPFA nearest neighbours is as follows:



Ashfield is blue, figures adjusted to real terms using GDP Deflator

This shows that historically, Ashfield has been spending at a level near its nearest neighbours, but has been on a trajectory where is has been spending less in comparison.

The net budget requirement in 2021/22 was funded by:

Funding	**£000**	**%**
Business Rates	5,590	42.49
Revenue Support Grant	197	1.50
Collection Fund Deficit	-474	-3.60
New Homes Bonus	1,155	8.78
Council Tax	6,418	48.78
Contributions from reserves	270	2.05
Total	**13,156**	**100.00**

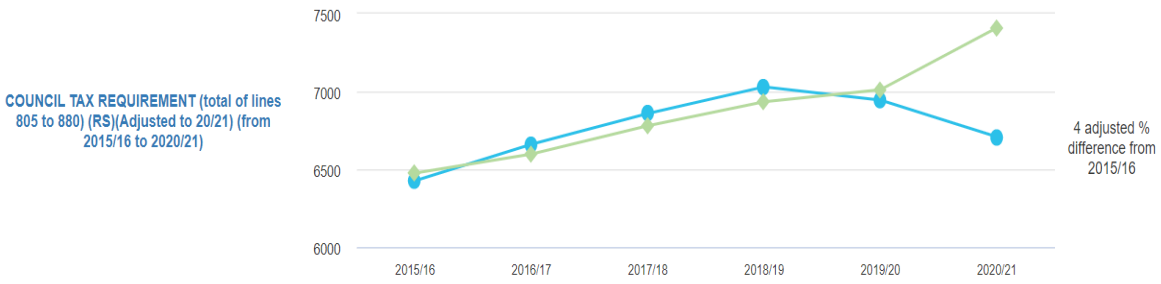
Council Tax is the largest element of funding, representing 48.78% of the resource base.

The final accounts for 2014/15 show the following totals for funding that were included in the 2014/15 budget:

Funding	**£000**	**%**
Business Rates	4,501	29.01
Government Grants	5,796	37.35
Council Tax	5,221	33.64
Total	**15,518**	**100.00**

As government grants have fallen, the Council has become increasingly reliant on Council Tax as a source of funding, increasing from 33.6% to 48.8%.

Benchmarking with CIPFA nearest neighbours shows that the Council tax requirement for Ashfield has been similar to nearest neighbours, but dropped during 2020/21:



Ashfield is blue, figures adjusted to real terms using GDP Deflator

A reliance on Council Tax as the main funding source means that:

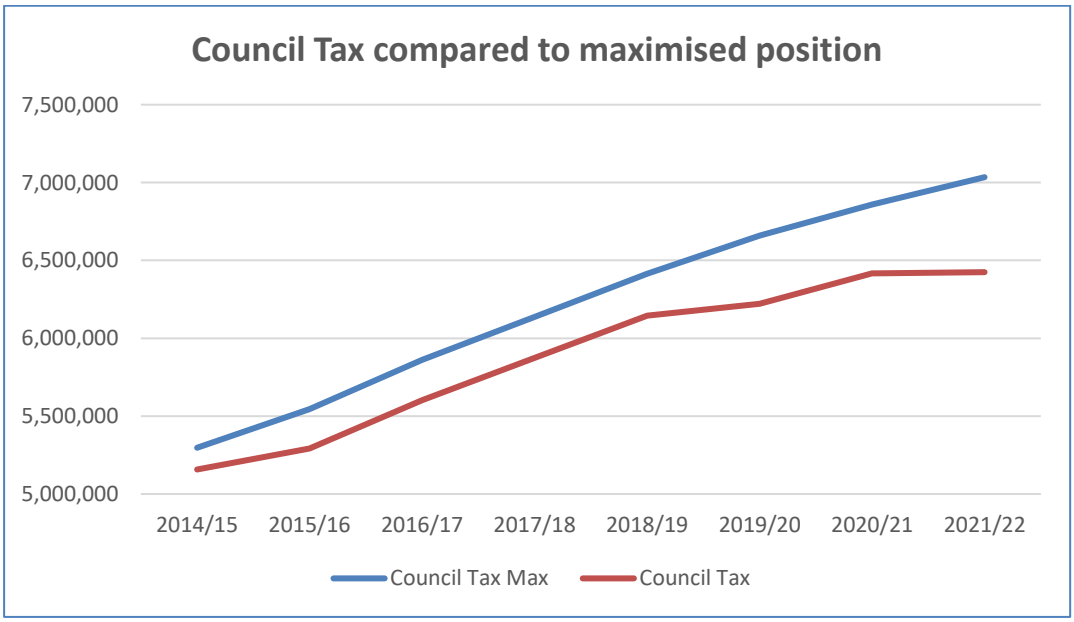
- The Council is sensitive to changes in Local Council Tax Support (LCTS) claimants. Covid 19 has shown that this can happen, although government support was made available.
- The Council has little option but to maximise Council Tax increases if it wants to minimise budget reductions.
- The Council is highly incentivised to develop housing within the Borough. Each new house will bring service demands and marginal cost, but these will be more than offset by Council Tax increases.

Council Tax is the highest percentage source of funding, but that percentage has not increased as dramatically as some of its neighbours, mainly because the Council has not increased Council Tax levels for the last few years.

The Council has used commercial income growth in previous years to manage the impact of not increasing Council Tax, but this is not an option going forward due to recent regulatory change.

Council Tax is major funding source for Councils, and part of the Government's calculation of 'core spending power'. Councils which have not taken the opportunity to maximise available core spending power will struggle to lobby the government for addition resources.

Not increasing Council Tax to maximum level also has a compound effect. The graph below shows the opportunity cost of Council tax decisions from 2014/15 onwards:



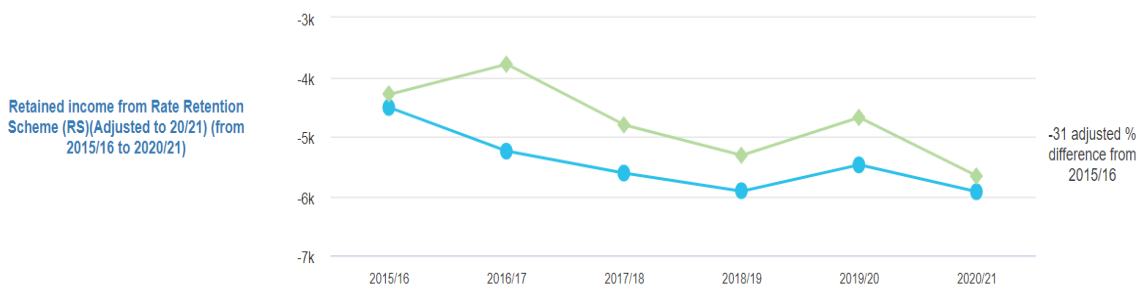
If the Council had chosen to maximise council tax in line with referendum limits, the resource generated by Council Tax would have been £610,000 higher in 2021/22.

Looking at the cumulative foregone revenue each year:

Year	£
2014-15	139,476
2015-16	251,212
2016-17	258,365
2017-18	262,974
2018-19	267,775
2019-20	438,401
2020-21	440,397
2021-22	609,869
Total	**2,668,470**

The Council has foregone £2.7m Council Tax revenue over the period by not maximising opportunities to increase to the maximum. It is up to an individual council to decide its Council Tax rate within the limits set by government. This report does not recommend Council Tax increases, rather that the Council needs to be explicitly aware and clear of the revenue forgone by not doing so and therefore the services and support to the community that also has to be foregone. It is clearly the council's decision as to whether that revenue and services foregone are worth more or less than the value of the lower household bills.

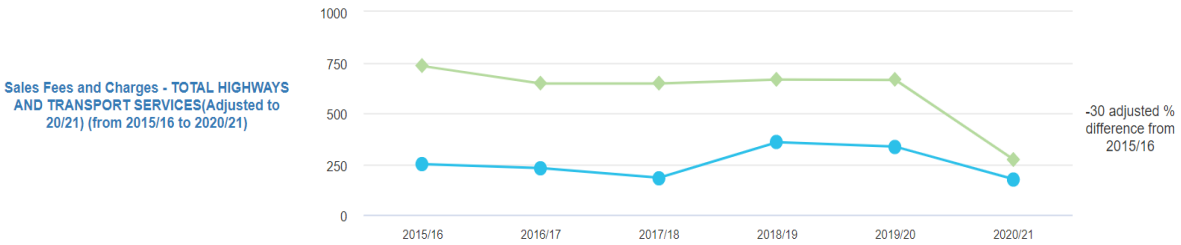
Income from business rates retention has not been high compared to nearest neighbours and has been decreasing in real terms. This can also be seen in the comparator tables between 2014/15 and the current year shown above.



Ashfield is blue, figures adjusted to real terms using GDP Deflator

The figures show that nearest neighbours have has a historically higher level of retained business rates, although still decreasing. The 2020/21 figures reflect the impact of the Covid-19 pandemic, and Ashfield was not as adversely affected as its nearest neighbours.

The Council is perceived as charging less for car parking than other nearby Councils. Looking at benchmarking with geographical nearest neighbours:



Ashfield is blue, figures adjusted to real terms using GDP Deflator

The Council shows a lower level of sales, fees and charges for Highways and Transport (allowing for the 2020/21 impact of the Covid-19 pandemic) than nearest neighbours, and this could be an area for future review if looking for potential budget savings or income generation plans.

Construction of the annual budget is robust, and takes into account a number of factors:

- Government and other external funding
- The level of Council Tax increase within government referendum limits
- Revenue impact of the approved capital programme
- Assessment of income streams
- Assessment of business rates
- Maintenance requirements of Council Assets
- Assumptions about inflation

The net budget requirement is then determined by taking investment and savings proposal into account. Savings are normally developed until a balanced budget is achieved.

The timing of the budget and publication of papers means that the first publication of a full suite of budget papers does not occur until February.

Medium term financial planning

Medium Term (or strategic) Financial Planning looks at the following:

- Medium Term Financial Strategy (MTFS)
- Capital Programme
- Capital Strategy
- Treasury Management Strategy

These should all be aligned; the capital strategy should be a key driver of the capital programme, the revenue impact of the capital programme should be in the MTFS, the Treasury Management Strategy should optimally fund the capital programme and maximise investment income/minimise borrowing costs for the MTFS etc. All of these key strategies should be aligned to the Corporate Strategy.

Strategic financial planning has become more difficult in recent years. Multiyear financial settlements have been replaced by annual settlements, revisions to funding (e.g., business rates baseline reset) have been delayed, funding reviews have been delayed, and on top of all this the impact of Covid-19 has made predicting future financial parameters even more difficult. Section 5 looks at potential future challenges for the Council, and they are significant.

The Councils future projection of General Fund budget requirements is contained in the budget report to Cabinet (Table 19). The report recognises the factor that make a three year prediction difficult, and estimates a cumulative funding gap of £3.018m by 2025/26.

The projections take a view that is reasonable and are backed up by robust external advice and challenge. Inflation and known impacts are built in, and changes in government policy are also recognised in the figures. The MTFS is expected to be updated after key events (e.g. closure of accounts) in line with best practice. However, the figures as stated do not allow for any increase or growth in Council Tax.

The Capital Strategy is projected forward to 2024/25 as is required by regulation. The strategy is robust, aligned with strategic priorities and recognises the significant external grant funding that has recently been awarded to the Council:

- Town Deal
- Future High Streets Fund

Prioritisation procedures are robust. The Capital Strategy includes detailed analysis of commercial investments and should be commended for fully complying with government regulation in relation to publication of key indicators in this area.

The capital programme is projected forward to 2024/25. The programme is linked to the priorities in the Corporate Strategy and provides for a total capital budget of £111.4m over the 5-year period, including the Housing Revenue Account. The General Fund capital programme is £41.3m, the HRA £68.5m.

The Capital Programme also contains a number of Area Schemes (£.15m) - self-financed schemes that enhance the local environment mainly funded by developers' contributions (S106) with additional grant funding wherever possible.

Funding of the programme is also set out over the 5-year period.

Borrowing is the main source of funding within the general fund capital programme:

Funding	**£m**	**%**
Borrowing	31.3	75.8
Developers' contributions	0.2	0.5
Capital Grants and contributions	9.6	23.2

Revenue	0.2	0.5
Total	**41.3**	**100.0**

The level of borrowing relates to investment in Leisure facilities in the main.

The capital programme recognises that significant external funding has been received, but that it is too early to amend the programme as final schemes have not been agreed in relation to the Future High Street Fund. The Programme will be amended when this has been finalised.

The Council's success in attracting these funding streams is an opportunity to pump prime investment in the area in regard to economic and regeneration priorities. The Councils strategic financing priorities are closely aligned with Council plan and delivery of the Administration manifesto. The cycle of District and County elections (every two years) means that there is a short-term approach to setting priorities. Some key plans such as investment in Leisure facilities are coming to a conclusion, and the prospect of £70m externa funding will mean that a longer-term focus may have to be adopted in order to maximise outcomes.

The Treasury Management Strategy is presented over the same timeframe as the capital strategy and capital programme. The strategy fulfils statutory requirements and reflects future borrowing plans. The Capital Financing Requirement (CFR) starts at £160.9 in 2020 and is projected to rise to £178.4m in 2025. The strategy envisages that the CFR will start to fall after 2024, as Minimum Revenue Provision (MRP) charges will exceed unfunded expenditure.

The MRP allows for an annuity method of repayment for pre 2008 borrowing, and new capital expenditure being written off over the life of the asset if less than 10 years, and annuity method if more than 10 years. Using the annuity method means that future year's costs will increase disproportionately – already reflected by the reducing CFR in 2025 as MRP charges increase. The MTFS contains provision for borrowing decisions made in the capital programme and reflected in the treasury management strategy.

Approach to transformation/efficiency

The council produces a suite of strategic financial plans, and in the past has used a mixed approach of annual savings, service reviews and a transformation programme linked to digital services.

The approach has been successful and has resulted in balanced budgets. The approach to filling the 2022/23 budget gap is set out as:

"Consideration will be given to options for additional income generation, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council's Digital Service Transformation Programme."

3 Delivering Financial Plans

Managing budgets and reporting

The Council's budget monitoring is mature and based on an analysis of service expenditure with a focus on key budgets and income streams. Formal reporting to Cabinet occurs on a regular basis, with reports in September, December and March. The Cabinet reports set out the financial issues facing the Council, and the appendices contain a breakdown of service and Directorate variances, revised reserves projections and capital programme variations.

At Officer level, budgets are monitored on a monthly basis. The Finance service will issue reports to budget managers and follow that up with a meeting to discuss variances and any remedial action required (virements etc). Budget monitoring is risk assessed - some budget meetings only take place quarterly in circumstances where the financial impact is small.

The Budget Monitoring report is discussed at Corporate Leadership Team before going to Cabinet. Any changes or mitigation required is dealt with at Officer level, with supplementary estimates being approved by Cabinet.

Volatility and variance

2021/22 was an unusual year in regard to budget monitoring, as key budgets were all affected by Covid-19. The Council identified all areas that were at risk and realised that the first tranche of funding did not resolve the issues that District Councils were facing at the time, especially in relation to Leisure services and income. Additional funding and changes to the allocation methodology resolved the majority of these issues, and the Council had a detailed grasp of where the financial impact was being felt. The Council also engaged fully with the Business Grants mandated by the Government, and like other Councils, found this to be a large call on limited resources.

The outturn position for 2020/21 was a £1.164m underspend, a variance of £1.19m from the original budget. £2.647m Covid-19 grant has been received during the year, and £1.761m had been utilised leaving £886k to be carried forward. The £1.164m underspend was transferred to the General reserve, increasing the balance to £7.877m.

Given the proportion of the net budget that £1.761m utilisation of Covid-19 grant represents, the Council has done an effective job of managing very difficult financial circumstances.

The current financial year (2021/22) forecasts a £660k positive variance, although this does not include the pay award which would bring it back into line with budget.

The Housing Revenue Account underspent by an additional £1.177m, mainly in relation to Covid-19 issues such as contractors not being able to carry out repairs and maintenance. This is a delayed cost rather than avoided cost, and the Council has carried the surplus forward via the HRA reserve,

Looking at previous years, there is a pattern of:

- Setting balanced budgets with minimum use of earmarked reserves (e.g. Local Plan reserve).
- Reporting minimum changes in quarter 1, with an increasingly positive position in Q2 and Q3.
- Reaching an outturn position that is underspent.

The Council actively manages variations that appear within the year, and reviews the base budget, which ensures that budgets reflect the spending patterns of the Council.

Deliverability of savings

The Council has a programme approach to savings and transformation. For example, in 2019/20, the last 'standard' year before the Covid-19 pandemic, the forecast outturn stated that.

"As previously reported in the September financial monitoring report considered by Cabinet on the 25th November 2019, the 2019/20 budget included proposed savings and efficiencies of £248k and all have been achieved with the exception of a £6k Lifeline Service saving, however alternative savings has been achieved to mitigate this. Delivery of these savings is included within the forecast outturn."

The July forecast for the current (2021/22) financial year states:

"£257k of .. £309k savings have been achieved, and £52k are anticipated to be achieved but actions are currently being reviewed to ensure they are fully achieved"

The Council has a good track record of delivery, and robust management processes.

4 Sustainability

Reserves

The Council has a general reserve and a number of earmarked reserves. The General Fund Balance over the last few years has been

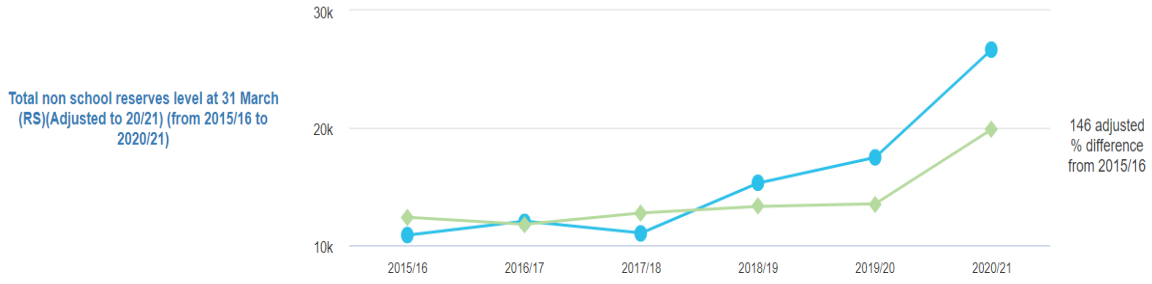
Year	Balance £m
31 March 2018	4.577
31 March 2019	6.061
31 March 2020	6.713
31 March 2021	7.877
31 March 2022 (est. Q1 2021/22)	7.877

The Council has a net budget requirement of £13.1m. The reserve position at the end of 2020/21 was high but 2020/21 was an unusual year due to Covid 19 and receipt of S106 grant.

The level of earmarked reserves over the same time period is as follows:

Year	Balance £m
31 March 2018	5.822
31 March 2019	7.895
31 March 2020	9.670
31 March 2021	14.265
31 March 2022 (est. Q1 2021/22)	12.982

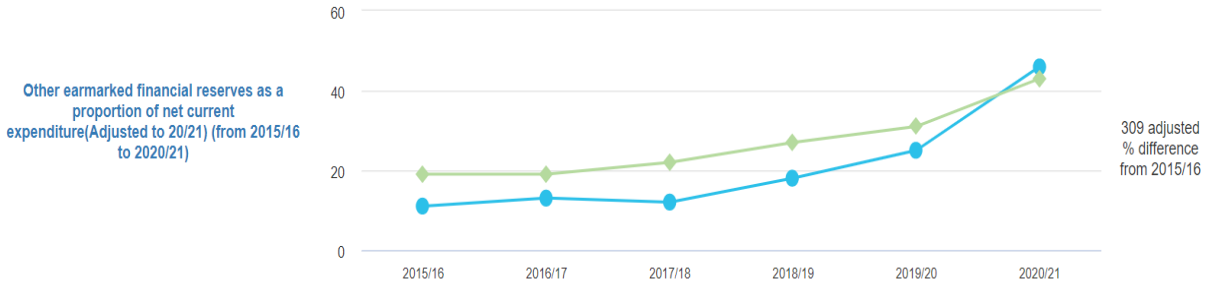
Interviews with members and staff show that the Council is aware that the overall level or reserves is relatively healthy. Benchmarking with CIPFA nearest neighbours shows:



Ashfield is blue, figures adjusted to real terms using GDP Deflator

Ashfield has a higher level of reserves than nearest neighbours, however a significant proportion of this is earmarked, e.g., S106, Covid Grant carried forward.

Looking at reserves as a proportion of net current expenditure:



Ashfield is blue, figures adjusted to real terms using GDP Deflator

The Council has historically been below benchmark on this metric but is closer at the end of 2021. These figures will have been skewed by Covid and section 31 NNDR funding in relation to the 2019/20 and 20/21 increases.

The Council has a history of judicious use of reserves in balance the budget, for

example using earmarked reserves for invest to save on transformation. The next section details the general financial challenges facing the Council, and there are specific challenges of a lower council tax level and plateaued commercial income. Reserves are at an adequate level compared to benchmark, but this does not mean that they can be utilised to cover ongoing medium term budget challenges. Using reserves in this way would store up future problems, and lead to attrition in an environment that has a high level of risk.

5 Other financial challenges

The future for Local Government Finance has never looked so uncertain. The current financial climate sees Ashfield reliant on Council Tax to a great extent, and commercial income has seen a stable resource base for the past few years.

The local government funding system has not been changed since 2013. Changes that should have been carried out in the past few years have been delayed, and this means that the implementation of a revised system could produce significant changes if it 'puts right' anomalies that have accumulated. The following is a list of uncertainties that may affect the Councils position that have been identified through interviews with staff and elected members:

- Impact of Covid19 – government funding has ended, and the cost of recovery, both social and economic will have to be identified and funded.
- The translation of the 2021 spending review into the detailed Local Government Finance Settlement in December.
- Impact of Brexit – this may be largely neutral, but there are concerns about the availability of materials that could impact construction and capital projects, as well as the risk of inflationary pressures.
- Business rates reset – the system should have been reset in 2020, and the way in which resource will be reallocated is not clear.
- Changes to New Homes Bonus – the government intends to introduce a new funding regime to incentivise housing growth.
- Waste and waste collection – the government is planning changes which will impact food waste, green waste and potentially, regularity of collection. There is no indication as to how these changes might be funded, if at all.
- Planning reform – the government is changing the planning system, which will change the way it operates and may cause volatility on a key income stream for the Council.

Commercialisation

The Council has previously invested in commercial property backed by borrowing but has recognised that the regulatory environment has changed and that this is no longer appropriate.

The Council's external auditor, Mazars, examined the Council's commercial

property investment activity and concluded:

"We are satisfied that the Council's arrangement for the year ended 31 March 2020 are adequate. However ,the Council must take notice of new and emerging significant matters relating to commercial property relevant from 2020/21 onwards."

6 Other Issues

Interviews with staff and Members reveal that there is a high regard for the Finance function in Ashfield.

The Council received an unqualified opinion on its accounts and value for money judgement in its last Annual Audit Letter.

7 Recommendations

Recommendation 1: The Council needs to model long-term implications for its resource base:

Actions to achieve this recommendation:

- Project the compound effect of council tax decisions on future resource requirements, service provision and budget gaps.
- Identify how resources will be bolstered now that commercial revenue growth is flat.

Recommendation2: The Council needs to take a long term approach to financial planning and maximise opportunities from external funding.

Actions to achieve this recommendation:

- Develop and have a clear understanding of the potential synergies between the Councils revenue and capital budgets and the external funding streams.
- Take a longer view of capital and revenue investment in order to maximise outcomes and shape financial strategies.

Appendix 4

ASHFIELD DISTRICT COUNCIL
CAPITAL STRATEGY 2021/22 – 2024/25

1 Introduction

1.1 Ashfield District Council's Corporate Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities contained within the Council's 5-year Capital Programme.

1.2 Capital investment is technically described as "Expenditure on the acquisition, creation, or enhancement of 'long term assets'". Capital investment seeks to provide long-term solutions to the Council's priorities and operational requirements. Expenditure for capital purposes therefore gives rise to new assets, increases the value and/or useful life of existing assets or, generates an income stream to the Council via non-treasury investments. Expenditure outside this definition will be, by definition, 'revenue' expenditure.

1.3 Most of the Council's long-term assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 7,600 properties has a current use Balance Sheet value of £357m as at 31 March 2021 (£353m as at 31 March 2020.)

1.4 The Capital Strategy is presented to Council as a Policy Framework document, and links with the Treasury Management Strategy, Medium Term Financial Strategy (MTFS) and the approved Capital Programme. Although this Strategy focuses on the Council's management of its own investment in assets, a wider view of capital investment throughout the area by both the public and private sectors will have a major influence on meeting Council aims and objectives.

1.5 The Capital Strategy (and specifically the historic Commercial Investment Strategy element of the Capital Strategy) are/have been key drivers to secure the future financial sustainability of the Council.

1.6 The legal background to funding Capital Expenditure is contained in the Local Government Act 2003, particularly the following sections:

- S1 – power to borrow
- S3 – affordable borrowing limit
- S15 – regard to Guidance issued

1.7 Guidance is also issued by Government, the latest guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC), (formerly the Ministry of Housing Communities and Local Government (MHCLG)) being

Investment Guidance (2018) and Minimum Revenue Provision (MRP) Guidance (2018).

1.8 Council's should also comply with professional codes that are issued, the key ones being:

- CIPFA Prudential Property Investment (November 2018).
- CIPFA Prudential Code (December 2021)
- CIPFA Treasury Management Code of Practice (December 2021).

The Codes issued in December 2021 are to be fully applied from the financial year 2023/24, therefore the requirements of the 2017 codes apply to this 2022/23 strategy.

1.9 The Capital Strategy sets out a number of guiding principles. In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities. The management of the Council's operational Capital Programme which 'sits' under this Capital Strategy is also supported by the Council's approved Financial Regulations.

1.10 CIPFA Treasury Management Code 2017 states:

- 'Where a Capital Strategy is produced by a local authority this may include the setting of detailed treasury management policies, while being clear that overall responsibility remains with full Council.'
- 'This organisation will ensure that all the organisation's investments are covered in the Capital Strategy, Investment Strategy or equivalent, *(that is this strategy for Ashfield District Council and contains both)* and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.'

2 Identifying Need

2.1 There are a number of internal and external influences that will affect the Council's Capital Strategy in the short, medium and long term.

2.2 External influences will include, but are not limited to potential partners such as central government, priorities of the Local Enterprise Partnership (LEP), County Council, Discover Ashfield Board and the private sector.

2.3 Internal influences will be driven by the Council's Corporate Plan which sets out the Council's vision and priorities for the District and is available on the Council's website:
https://ashfieldintranet.moderngov.co.uk/documents/s19404/Enc.%202%20Corporate%20Plan%20Refresh%20202122.pdf

A new Corporate Plan is developed every four years, the current Corporate Plan was approved by Council on the 26th September 2019 and the latest refresh of the plan was approved by Cabinet on 19th June 2021.

2.4 The Council's Corporate Plan 2019-2023 sets out the following six priorities;

- Health & Happiness
- Homes & Housing
- Economic Growth & Place
- Cleaner & Greener
- Safer & Stronger
- Innovate & Improve

2.5 Aligned to the Corporate Plan are a number of subsidiary and complementary plans and strategies. Examples include;

- Medium Term Financial Strategy
- Treasury Management Strategy
- 30 Year HRA Business Plan
- Housing Strategy
- Digital Transformation Strategy
- Commercial Investment Strategy
- Service Plans

Capital investment will therefore be made in a range of areas to support the Council's core activities and priorities including asset investment to support its existing asset base and service plans, ICT and business improvement investment to support its Transformation programme. Investment in other delivery vehicles such as a Housing Company continue to be considered to deliver priorities regarding housing units.

3 Capital Scheme Prioritisation

3.1 Due to competing demands for limited resources, the Council prioritises capital investment based on a number of different factors such as:

- Its contribution to corporate priorities
- Whether it facilitates delivery of statutory or non-statutory and essential/non-essential services.
- The ability of the project to leverage additional funding, or secure a future income stream – therefore preference will be given to those projects with:
    - A payback of 10 years or less
    - A positive net present value over the life of the asset based on a discount rate reflecting use of capital resources (Treasury Green book figure 3.5 %)
- The affordability of the revenue implications of the project
- The risk of not undertaking the capital expenditure, eg Health and Safety implications or legislative requirements.

3.2 Non financial indicators can also be used, for example, there are many benefits to including sustainability or environmental and social value criteria in

the decision-making process when it comes to allocating capital resources. Outcomes (for example jobs created or safeguarded) and outputs (for example, number of new homes built) should also be considered.

4 Prudential Approach

4.1 The Prudential Code requires Councils to consider six things when it agrees its Capital Programme:

- Service objectives – are spending plans consistent with our aims and plans?
- Stewardship of assets – is capital investment being made on new assets at the cost of maintaining existing assets?
- Value for money – do benefits outweigh the cost?
- Prudence and sustainability – can the Council afford the borrowing now and in the future?
- Affordability – what are the implications for council tax? (revenue implications)
- Practicality – can the Council deliver the programme?

4.2 Prudence is a difficult concept to define. In deciding whether an investment decision is prudent there should, as a minimum, be an initial consideration of the relationship between:

- the capital cost and
- the business cost (being the revenue costs associated with the use of the asset).

4.3 The Authority needs to consider whether this choice represents the best use of resources having looked at all available options. Above all, the Authority should be confident that the preferred option is the best value for money, and the quality is sufficient to meet the Council's needs.

4.4 Investments in property are seen as medium to long term investments therefore the value for money is assessed on this basis to ensure that over a longer period of time the investment is value for money and provides a return to the Council which, as a minimum exceeds what could be earned through investing in Money Markets.

4.5 The question of affordability in relation to capital projects is easier to address as the list of cost components is easier to define. Whilst the list is not exhaustive, it will typically include:

- Capital Costs
    - Feasibility costs
    - Initial build/purchase
    - Disposal/demolitions/decommissioning costs
    - Project management costs - internal and external
    - Fees: Surveyors, Clerk of works

- Revenue costs

- Ongoing rental charges
- Ongoing facilities management charges
- Utilities costs
- Maintenance (planned and reactive)
- Financing costs (where appropriate, Minimum Revenue Provision (MRP) and Interest costs)
- Staffing implications
- Business Rates

4.6 Feasibility costs may be capitalised provided the scheme leads to the eventual construction of an asset, if not, any such costs incurred must be charged to revenue.

4.7 In assessing whether an investment is sustainable, the Authority should consider:

- how it fits into any future policy or environmental framework
- the future availability of resources to implement and continue to maintain any capital asset arising
- the potential for changes in the need for the asset, e.g. demographic developments
- the potential for changes in the nature of the driver, problem, or policy the capital expenditure is seeking to address.
- The security on loans made
- The liquidity of investments

4.8 In terms of practicality, the Council must ensure it has the right skills and resources available at the right time to be able to fully resource and deliver its Capital Programme ambitions. Some of the projects may be specialist in nature and, as such, will require external expertise and support in order to deliver the schemes, including good project management skills.

5 Capital Funding

5.1 Capital Funding Sources:

5.1.1 The Council's Capital Programme is currently funded from the following sources;

- Capital Receipts
- Prudential Borrowing
- Developers Contributions e.g. s106 receipts
- Partner contributions
- Revenue Contributions/Reserves
- Capital Grants e.g. Disabled Facilities Grant, Future High Streets Fund, etc
- Proportion of Housing Right to Buy receipts
- Major Repairs Reserve (for Council Housing investments)

5.1.2 The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. The Council also has in place a Flexible Use of Capital Receipts Strategy (Originally approved October 2018) which may be used to support delivery of the Council's Transformation Programme. This flexibility is currently due to expire at the end of March 2022.

5.1.3 However with limited property available for sale, capital receipts are gradually being eroded. And with continuing budgetary pressures being placed on the Council's General Fund the ability to use Direct Revenue Financing (use of reserves) is reducing and consequently the Council need to either find alternative sources through grants and contributions, pursue schemes that are self-financing (i.e. generate an income scheme to cover prudential borrowing and other on-going revenue costs) or curtail its ambitions for capital spend in future years.

5.1.4 The Council owns a number of assets including investment properties and through ongoing monitoring of assets and stock condition information, the continuation of holding such assets is reviewed in the light of suitability and sufficiency and decisions are taken on whether to:

- Hold and continue to maintain and refurbish them, or
- Dispose of and generate a capital receipt for funding the Capital Programme.

5.1.5 Following national changes during 2021, the Council has entered into a new agreement with the DLUHC in relation to how retained Right to Buy (RTB) receipts can be applied. The Authority will recycle within a rolling 5-year period (changed from a 3-year period) Right to Buy (RTB) receipts arising from retaining "additional" receipts from RTB disposals into new social housing dwellings within the District. The RTB receipts retained, must be applied to fund up to 40% (previously 30%) of the capital costs of new build and acquisitions of affordable housing. A cap will be introduced on the use of RTB receipts for acquisitions with effect from 1 April 2022 and phased in over 2022-23 to 2024-25. The first 20 units of delivery in each year will be excluded from the cap and therefore, the cap is not expected to impact on our acquisition programme. If the retained receipts are not spent within 5 years, they must be returned to Government with interest. If future actual expenditure matches the budgeted expenditure in the capital programme, the spend requirement will be exceeded up to 31st March 2029. This position will continue to be monitored.

5.2 Prudential Borrowing

5.2.1 Under the Prudential Framework, Local Authorities are free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles, which are contained within the Prudential Code.

5.2.2 Prudential borrowing to fund capital projects may, depending on the nature of the capital investment, bring with it the need to make a charge to revenue to

reflect the cost of borrowing. This includes Minimum Revenue Provision (MRP) and interest. The MRP policy that applies to capital decisions funded by prudential borrowing is set out within the Council's Treasury Management Strategy.

5.3 S106 Developer Contributions

5.3.1 Developer contributions are sought, as part of the planning application process to mitigate the impact of development and overcome what would otherwise be a potential reason to potentially refuse a planning application. These S106 Developer Contributions are a means of supporting infrastructure costs such as play areas, transport networks, schools, etc.

5.4 Housing Revenue Account

5.4.1 Capital commitments are funded via surpluses from within the Council's Housing Revenue Account (HRA). The production of a 30 year HRA Business Plan, which is regularly reviewed, enables the funding needs of the Council's housing stock to be planned for and accommodated.

5.4.2 The HRA originally had a debt cap which was set at £80.081m in 2012. However, the Government has removed the cap allowing Councils to once again borrow against the value of its housing stock for improving the existing stock as well as delivering new stock.

5.4.3 The HRA Capital Programme is to a large extent driven by the amount of surplus generated which in turn is influenced by:

- The amount of income raised from rents, which for four years from 1/4/2016 was limited by Government policy, to a year on year decrease of 1%. Maximum increases of CPI plus 1% have been permissible since 2020/21.
- The number of Right to Buy sales that take place and impact on the HRA stock and therefore the amount of future rent income receivable.

5.4.4 The resulting HRA Capital Programme provides for renovation and improvement of existing housing stock, refurbishment and limited estate regeneration.

6 New Delivery Models

6.1 In response to reducing capital resources the Council has looked to new delivery models to continue its capital investment in the District, which levers in other partners and innovative financing. These include consideration of developing a Housing Company, which the Council may establish to deliver new rented properties in the District.

6.2 In the context of the Capital Strategy, the Council has invested in property to produce an on-going revenue stream to contribute to the funding of the Council's revenue budget to sustain the delivery of key services to the

District's residents. This capital expenditure has been funded through prudential borrowing. The prudential borrowing costs result in revenue costs of MRP and potentially interest. Prudential borrowing can be internal borrowing, against cash-backed reserves and working capital or external borrowing, loans from a third party. Interest costs are incurred where external borrowing in undertaken. The MRP and interest costs are funded from the on-going revenue stream from the property.

6.3 At the time of writing the Council currently has a portfolio of 'investment properties' of £61.770m (this is based on acquisition cost including associated costs) and comprises of 15 properties. The portfolio is forecast to generate gross investment income of £4.383m in 21/22. The prudential borrowing costs are estimated to be £1.498m in 21/22, which includes interest on £22.3m, which is the additional external debt taken as a consequent of the investments made, with the remainder being funded with internal borrowing.

6.4 The Council's strategy in respect of 'investment properties' is detailed in the Commercial Investment Strategy (Non- Treasury Management Investment Strategy) included at Annex 1. Following the Public Works Loan Board (PWLB) Consultation outcome which was announced in November 2020 the Council took the decision to not acquire any further Investment Properties in order that it could continue to access to the PWLB as a funding source for its Capital Programme.

6.5 The revised CIPFA Prudential Code issued in December 2021 states that Authorities "must not borrow to invest primarily for financial return". It also says that it is not prudent for them to make any investment or spending decision that could increase the need for borrowing, unless related to the functions of the authority and where financial returns are "either related to the financial viability of the project in question or otherwise incidental to the primary purpose". Therefore, the changes in the Code are aligned to the decision to remove any further investment property purchases from our Capital Programme and Capital Strategy.

6.6 Following a bidding process, the Council has been awarded funding of £6.27m from the Future High Street Fund, for four schemes in Sutton-in-Ashfield. All four schemes are included on the approved Capital Programme. All four schemes have commenced, and funding has been received based on the annual spending profiles submitted as part of the business cases.

6.7 The Council has successfully secured a Town Deal for both Kirkby-in-Ashfield and Sutton-in-Ashfield from the Towns Fund, securing £62.7m for 17 schemes. The Council is developing full business cases for each scheme, in accordance with the timeframes set by Central Government. The Council has already received accelerated funding of £1.5m (£750k each for Sutton and Kirkby) in 2020/21 and £3.150m, a 5% upfront payment in 2021/22, to enable the schemes to progress. Both of these funding amounts have been included on the approved Capital Programme.

7 The Current Capital Programme 2021/22 – 2024/25

7.1 A copy of the current 5 year Capital Programme can be found on the Council's website and the latest update to the Capital Programme is to be reported to Cabinet in February 2022. The current programme covers the following key areas and major schemes:

- Area schemes & General Fund Schemes
  - Towns Fund Programme
  - Future High Street Fund Programme
  - Kirkby Leisure Centre New Build
  - Other Leisure Transformation schemes
  - Purchase of Vehicles
- Housing Revenue Schemes
  - Decent Homes schemes
  - New Build and acquisitions of affordable housing
  - Affordable Housing developments

7.2 In assessing what schemes are included in the Capital Programme, the Council will ensure all schemes are properly appraised and prioritised through a scoring matrix as agreed by Council. This appraisal process will take account of the key criteria set out in this Strategy.

8 Service Enhancements & Building Asset Maintenance

8.1 The Council has a property land and buildings portfolio utilised for service delivery (eg leisure centres) and for operational delivery (offices and depots). It is important that these are maintained on a regular basis and receive upgrades and replacement if required when resources allow. This programme will be informed by the stock condition surveys alongside any service developments that may be proposed. It may also be required that some surplus assets are either disposed of (including demolition) if no longer fit for purpose or required.

8.2 As part of the agile working initiative which has significantly expanded due to the Coronavirus pandemic, opportunities for rationalisation of operational land and buildings may be identified. Equally, the retained operational land and buildings may require enhancement.

8.3 Included in the land and buildings portfolio are a number of Commercial Properties, which are providing an income stream to the Council. They are not deemed to be investment properties as they are held to support the economic development of the District of Ashfield and are not held solely for returns or capital appreciation. The Council's risk exposure to be managed in relation to these Commercial Properties includes loss of income stream due to void periods and maintenance costs.

9. Grants & Contributions

9.1 The Council will make contributions to 3rd party schemes (including Disabled Facility Grants) as partner funding contributions to schemes not being directly delivered by the Council, to meet statutory grant requirements or to support particular initiatives.

9.2 The Council will also, where appropriate, seek grant funding and contributions to support the delivery of capital schemes.

10 Vehicles and Fleet

10.1 The Council has a significant fleet in order to deliver its operational services. The Council has traditionally purchased outright all of its fleet including refuse collection vehicles, which require a significant up-front investment. Whilst the current Capital Programme continues with this approach, other funding methods will be evaluated and may also be utilised (e.g. lease, Contract Hire with Maintenance, etc) in order to achieve the most cost effective approach to vehicle provision.

11 Service Transformation & Invest to Save

11.1 The Council still faces significant shortfalls in its revenue budget in the Medium term. Therefore, it will continue to invest in technologies and programmes which deliver ongoing savings to the Council's finances. These schemes will require initial capital investment but must demonstrate a payback and ongoing savings as part of the evaluation process. A business case will need to be made for all proposals, which must include a financial appraisal.

11.2 These schemes can range from enhancements to buildings to make them more energy efficient, to ICT investment, to service transformation programmes. Where available, capital receipts may be used to fund one-off revenue costs associated with the Transformation Programme, in accordance with the Flexible Use of Capital Receipts Strategy up to 31 March 2022.

12 Economic and Regeneration Projects

12.1 The Council is seeking to secure additional external funding to support economic and regeneration schemes to maximise Ashfield's assets to support business growth and investment and to make Ashfield a destination of choice to work and to live.

12.2 In some cases the funding of the schemes may also have a commercial aspect where it generates income which may be used to fund on-going revenue costs including borrowing costs.

12.3 A detailed business case will need to be made for all proposals, which must include a financial appraisal.

13 Loans to third parties

13.1 A Local Authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. The Council's current capital plans do not include making any loans to third parties. There is currently a consultation ending on the 8th February 2022 on the DLUHC Statutory Minimum Revenue Provision Guidance, which may result in changes that would impact on the viability of Local Authorities giving loans funded by borrowing to third parties.

14 Capital Project Delivery and Investment Risk Management

14.1 The Council, like all Council's is exposed to a broad range of risks:

- **Financial risks** related to the investment of the Council's assets and cash flow, market volatility, currency etc.
- **Macroeconomic risks** related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.
- **Credit and counterparty risks** related to investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** related to operational exposures within its organisation, its counterparties, partners and commercial interests.
- **Strategic risks** related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** related to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

14.2 The Council must manage and mitigate these risks where possible but there is inherent risk in undertaking major Capital Projects and this needs to be recognised. Therefore, for each scheme, risk assessments and risk registers need to be prepared and monitored to ensure, as far as possible, risks are managed.

15 Governance & Monitoring

15.1 The Prudential Code sets out a clear governance procedure for the setting and revising of a Capital Strategy and Prudential Indicators i.e. this should be done by the same body that takes the decisions for the local authority's budget – i.e. Full Council.

15.2 The Prudential Code also states that decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget. The Financial Procedure Rules (FPR's) set out clear procedures for the approval of capital expenditure, including:

- approval of the capital programme – Full Council (FPR's para B.1)
- additions/changes to the capital programme – Cabinet/Council (FPRs para B.8)

15.3 The Audit Committee has delegated powers responsible for Governance and Treasury Management within the Council. They scrutinise and recommend an annual Treasury Management Strategy (incorporating an Investment Strategy and Borrowing Strategy) to Council for approval as part of the annual approval of budget. They also receive monitoring reports on Treasury activity and a year-end Annual Report.

15.4 The S151 Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration. They also have to declare that they consider the strategy to be prudent and affordable, are integrated into the Treasury Management Strategy and other Strategic Plans, and that all the revenue implications are included in the MTFS.

16 Knowledge and Skills

16.1 In order to deliver this Capital Strategy it is important that the Council employs and /or has access to competently skilled people in order to manage the delivery of the Capital Programme. The Council's S151 Officer has the overall responsibility for the Capital and Treasury Management activities so needs to be professionally qualified and undertake ongoing CPD in these areas. This should be underpinned by experienced staff who can support the S151 Officer in meeting these requirements. Additionally, professional advice can be bought in from external providers. The Council's current Treasury Management Advisors are Link Asset Services.

16.2 Training should also be provided to those Members and Officers that are involved in the monitoring and delivery of the Capital Strategy and Programme and this should be regularly updated. Appropriate project management training should also be provided to project leads, Officers and Members responsible for each of the Capital schemes.

Annex 1

ASHFIELD DISTRICT COUNCIL
COMMERCIAL PROPERTY INVESTMENT STRATEGY

This Commercial Property Investment Strategy document outlines the rationale, process and risk management in relation to previous Commercial Property Investment acquisitions and the on-going management of the Commercial Property Investment portfolio.

The current capital programme (to be approved February 2022) does not include any plans for further Commercial Property Investment, the last acquisition was made on 2nd April 2020.

1. Key Principles

1.1 The core function of the Council is to deliver statutory and other services to local residents. Reductions in government funding has required local authorities to look at the options for balancing the budget. Investing in property helps the Council to generate an additional on-going revenue income stream that it can then use to reduce its net costs of providing services.

1.2 This is achieved by buying property that has a tenant who pays rent to the owner of the property – the landlord. The tenant needs to be of good financial standing and the property and lease must meet certain standards such as being in a commercially popular location and have a number of years left on the lease providing a certain and contractually secure rental income stream into the future.

1.3 The Council funds the purchase of the property by prudential borrowing and/or use of Capital Receipts where these are available. The rental income paid by the tenant must exceed the cost of capital (MRP and interest). The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

1.4 Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns the property for 20 years plus, and the property is managed and maintained appropriately, the Council can expect to see an increase in the value of the property as well as a net annual surplus of revenue.

1.5 The increase in value is realised when the property is sold. The sales proceeds from the sale of property result in a capital receipt for the Council. The capital receipt will be used to extinguish the debt outstanding in the Capital Financing Requirement in relation to the property sold, and the remaining capital receipt can be used to fund further capital investments or applied to revenue transformation costs under the Flexible Use of Capital Receipts Policy, although this flexibility is currently due to expire at the end of March 2022. In both cases, the additional capital receipt will support the delivery of services for local people.

Purpose

2.1 The Commercial Property Investment Strategy:

- Clarifies the legal powers used to operate the Strategy and ensure continued compliance.
- Sets out what the Council wants to achieve when acquiring property assets for investment purposes – primarily to provide an income stream with a margin over the cost of capital.
- Identifies criteria for acquiring and owning property assets for investment purposes to ensure risks are minimised.
- Includes an outline of the process involved in acquiring property assets for investment purposes.
- Is part of a wider policy framework supporting what the Council does and why.

2.2 Each acquisition is evaluated on its merits to consider the relevant purpose(s), legal powers, financial powers and any other implications. The evaluation addresses the potential within the market place for future uplift or loss in value of the asset being considered for acquisition, as well as the security of income from the tenant in occupation.

3. Legal Powers

3.1 Local authorities have very wide powers to acquire, sell, appropriate and develop land, such that it is rare to need to use the powers in the Localism Act 2011. Specific property related powers are very wide and include the following:

- Sections 120 to 123 of the Local Government Act 1972
- Section 227, Town and Country Planning Act 1990
- Section 233, Town and Country Planning Act 1990
- Local Authorities (Land) Act 1963 (development)
- Housing Act 1985
- Sections 24-26 Local Government Act 1988

3.2 There are various powers that would usually be sufficient for the Council to undertake any property acquisition, sale or related project in its area where at least part of the motivation is connected with the broad benefit or improvement of its area, as it is in the case of this strategy.

3.3 Section 120 of the Local Government Act 1972 to acquire land (inside or outside of their area) for the purposes of any of their functions, and then this gives us the power to borrow as contained in Section 1 of the Local Government Act 2003 - A local authority is empowered to borrow money for any purpose relevant to its functions under any enactment.

4. Objectives of the investment activity

4.1 Acquisition to generate an income stream is a natural progression from acquisition for regeneration purposes. The two can also be combined – an example of this is if an acquisition is made which offers a secure income stream and the option for future regeneration of a site. Therefore, the reasons for buying and owning property investments are primarily in this order:

1. Financial gain to fund our services to local people
2. Market and economic opportunity – the time is right
3. Economic development and regeneration activity in Ashfield

4.2 The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…".

4.4 Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

4.5 Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant.

4.6 The Council has pursued property investments which produce the best returns possible, whilst carrying an acceptable level of risk. The main mitigation measure in managing risk is to target investments which are let to 'blue chip' tenants, on relatively long leases with little or no landlord management involvement – typically the tenant is responsible for all property costs such as repair, maintenance and outgoings. In this way, the Council will be primarily buying a secure income stream and the buildings themselves become almost secondary considerations.

4.7 Any property asset coming onto the market could be for a number of reasons. Investors seek to buy and sell in many different circumstances - rebalancing their portfolio, seeking cash to influence balance sheet or share price, requirement for a more "liquid" asset, short-term investment taking advantage of small capital growth, moving into different property classes, etc.

5. Priorities & Risk in Property Investment

5.1 The priorities the Council had considered when acquiring property interests for investment purposes are (in order of importance):

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The

Council's primary reason and objective for this strategy is financial gain to sustain delivery of key services to residents. The underlying principles of a Property Investment Strategy imply, assume and default to nothing taking higher priority than financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacement tenants at acceptable rental levels. Generally, occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.

- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better than the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of capital (Interest and MRP).

- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.

- **Lease Terms** – The terms of leases vary and even those held on an "Institutionally acceptable basis" can be very different in nature particularly as such leases have developed over time. The Council has sought to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This ensures a certain income/return to the Council.

- **Growth** - property has the potential for both revenue and capital growth. The Council has taken into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally, the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location** - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. When appropriate opportunities surface in

Ashfield, they will be evaluated against the same criteria as those opportunities located outside of the District. In this way, this investment activity does not discriminate against location. Any investment decision is subject to the appropriate justification, business case and governance. As from the end of November 2020 the Council will no longer acquire out of District Investment Properties.

- **Sector** - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) has assisted in deciding on the risks associated with specific properties and the mix of sectors within the portfolio.
- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

5.2 In summary, the strategy for previously acquiring investment property assets was therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
- Minimise risk.
- Maximise rental income and minimise management costs to ensure the best return is generated.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise the Ashfield area.
- Pursue opportunities to increase returns and improve the investment value of commercial assets

6. <u>Reporting Requirements and Governance</u>

6.1 Commercial Property Investment Strategy

6.1.1 In accordance with the DLUHC revised Statutory Guidance on Local Government Investments (2018), each financial year, a local authority should prepare an Investment Strategy, which should be approved by full Council. The investment strategy must include non-treasury management investments.

6.1.2 This Commercial Property Investment Strategy, which is incorporated into the Capital Strategy is this Council's non-treasury management investment strategy.

6.1.3 The DLUHC Statutory Guidance on Local Government Investments (2018) requires the Commercial Property Investment Strategy to include quantitative

indicators to allow risk exposure as a result of its non-treasury management investments to be assessed. The indicators are included as Annex 2.

6.2 Acquisition, Re-assignment and Regear Decision Making and Reporting

6.2.1 The acquisition process was defined, and implemented to ensure roles and responsibilities are clearly defined, outcomes are understood, and unnecessary risk has been avoided. This process is included in Annex 3 of this Strategy.

6.2.2 Where time constraints allowed, which is more often not the case, a collective Cabinet decision has been sought; however a faster, robust decision-making process must be available to ensure Ashfield's competitiveness is maintained. In most, if not all, circumstances where the Council has negotiated an acquisition by Private Treaty, the Vendor has wanted to proceed swiftly with the transaction for financial reasons. Furthermore, where the Council may purchase at auction, the contract is signed at the end of the auction; therefore, authorisations/delegations must be in place in advance. As such, the Officers have used existing provisions within the Scheme of Delegation and Access to Information Procedure Rules to ensure a decision can be taken expediently. In all cases, a full written report and decision record has been prepared and required notices published in accordance with Governance requirements. Specifically:

1. Where timeframes have not allowed a collective Cabinet decision, the Leader of the Council has taken a delegated Executive Decision.
2. Previously, where a potential purchase is a key decision and/or will contain exempt information but the full 28 days' notice cannot be given due to the urgency of the matter, a General Exception has been applied (Rule 15). This gives five clear days' notice of the decision being made. The Monitoring Officer informs the Chairman of the Overview and Scrutiny Committee and has published the required notices.
3. Where there is a greater urgency and 5 clear days' notice could not be given, the Special Urgency provisions has been used (Rule 16). In this case, the permission of the Chairman of the Overview and Scrutiny Committee (or if they are unable to act, the Chairman of the Council or, in their absence, the Vice Chairman of the Council) has been obtained before making the decision. The Rule 16 notice has then been published.
4. In such cases it is expected that the decision has been implemented without delay and therefore not been subject to call in.
5. The report has explained the reasons in each case as to why a decision is not to be called in.
6. The Leader has reported to the next available Council meeting any decisions, which are made pursuant to Rule 16.

6.2.3 This process is also followed where decisions are needed to be made urgently in relation to re-assigning and regears.

6.3 **Post Acquisition Monitoring Arrangements**

6.3.1 A Commercial Investment Working Group operates within the Council and is attended by:

- Chief Executive/Deputy Chief Executive
- Director of Resources and Business Transformation
- Monitoring Officer/Deputy Monitoring Officer
- Section 151 Officer/Deputy Section 151 Officer
- Commercial Development Service Manager

6.3.2 The Group meets quarterly and discusses:

- Progress of commercial investments being pursued (will not be applicable in line with current capital plans)
- New opportunities for commercial investments (will not be applicable in line with current capital plans)
- Factors impacting or influencing opportunities for commercial investments (will not be applicable in line with current capital plans)
- Performance of and factors impacting or influencing existing commercial investments

6.3.3 A quarterly Commercial Property Performance Report is presented to the group which details:

- the rentals payment performance of the Commercial Property Investment tenants;
- financial performance of Commercial Property (as defined in 8.3 of the Capital Strategy) and Commercial Property Investments;
- the state of the market which covers how each sector e.g. industrial, office, retail, leisure is performing;
- Tenant Covenant, which covers default risk (payments not being made), failure risk (business failure) and delinquency risk (payments being late).

6.3.4 A mid-year report and outturn report on Commercial Property Investment Performance detailing the information in 6.3.3 is reported to Audit Committee.

6.3.5 A Council representative, primarily the Council's Property Agent and/or the Commercial Development Service Manager will periodically visit and inspect Commercial Property Investments. A visit to all existing the Commercial Property Investments was undertaken in June/July/August 2021, apart from the DWP properties in Coventry and Rotherham and the Hotel, which are planned to be visited in the following quarter. Regular contact is also

maintained between the Council's Property Agent and the tenants, this informs the quarterly report to the Council.

7. Risk Management

7.1 Risk Mitigation on acquisition

7.1.1 In order to mitigate the risks of investing in commercial property, the considerations outlined 5.1 have always been evaluated and the processes in 6.2. undertaken. The acquisition process has been defined, and implemented to ensure roles and responsibilities are clearly defined, outcomes are understood, and unnecessary risk has been avoided. This process is included in Annex 3 of this Strategy.

7.1.2 A fair value assessment has been conducted on purchase and provides sufficient security for the underlying capital invested.

External Advice

7.1.3 The Council's Commercial Property team has the relevant investment and management knowledge/experience to manage the investment property portfolios. Nevertheless, officers have taken external advice on a number of occasions such as:

- Appointing a representing agent in line with Contract Procedure Rules to represent and advise Ashfield on potential acquisitions.
- Seeking external legal advice, via the Legal Shared Service, on various matters during conveyancing and indeed, to represent Ashfield directly, in complex transactions or in jurisdictions where English Law does not apply.
- Commissioning external Chartered Surveyors to carry out surveys on properties prior to purchase, with their reports forming a key part of the decision-making process and to carry out valuations of investment properties.

7.2 Risk Mitigation post acquisition

Annual Review of Fair Value

7.2.1 An annual review will be undertaken of the Commercial Property Investment portfolio fair value as per the Council's revaluation programme as outlined in the accounting policies and agreed with the external auditors. The fair value will be compared to the debt outstanding and appropriate provision will be made if there is a fall in the value of the assets.

Commercial Property Investment Earmarked Reserve

7.2.2 The Council has established a Commercial Property Investment Earmarked Reserve, which is to mitigate against the risk of business failure and lease events.

7.2.3 The reserve will be used to cover:

- Loss of investment return

- Capital financing costs (MRP and interest costs are still incurred, if the income stream is lost)
- Business Rates (the Council will be liable to pay the Business Rates, if the property is vacant)
- Capital Expenditure (may be necessary to fund dilapidation works to get the property to a standard to enable re-let).

7.2.4 It will also be used to fund any debt outstanding following the sale of a Commercial Property Investment where the capital receipt does not extinguish the debt outstanding for the property.

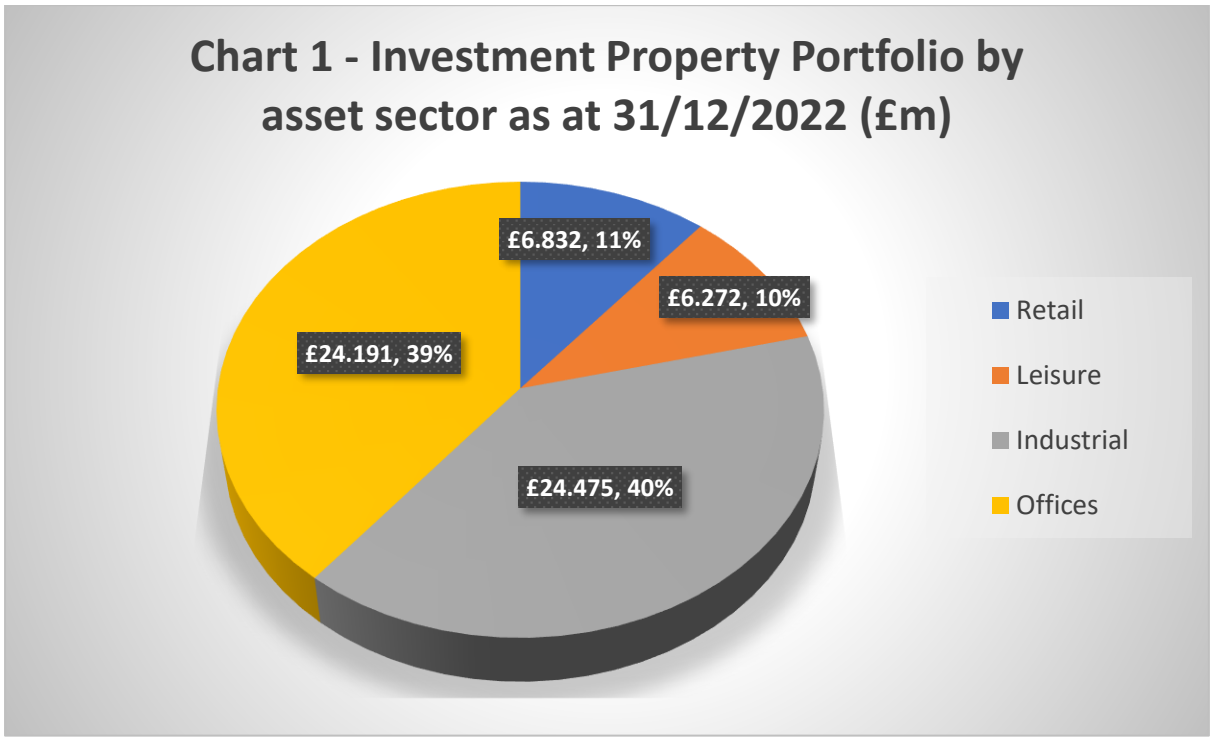
7.2.5 An annual review of the Commercial Property Investment Earmarked Reserve will be carried out as part of the Medium Term Financial Strategy to assess whether there are sufficient resources held in the Reserve. Where it is deemed there are insufficient resources, provision will be made to top up the reserve over a period of time as part of the budget setting process (through the Medium Term Financial Strategy).

Annex 2

Commercial Property Investment Portfolio and Indicators

Commercial Property Investments Portfolio

The total investment property portfolio of £61.770m (this is based on acquisition cost including associated costs) and comprises of 15 properties. Chart 1 shows the investment portfolio by asset sectors.



The current capital programme (to be considered by Cabinet February 2022 and approved by Council March 2022 does not include any plans for further Commercial Property Investments.

The DLUHC recommend the following indicators for non-treasury investments e.g. Commercial Property Investments.

a) Debt to Net Service Expenditure

Table 1 shows the gross external debt on Commercial Property Investments at the end of each financial year divided by the Net Service Expenditure for each financial year. It assumes all future planned Commercial Property Investments are funded from external borrowing and therefore increases the debt in the indicator.

Table 1 demonstrates how many times greater the Commercial Property Investments debt is to the estimated Net Service Expenditure.

Table 1 Debt to Net Service Expenditure

	2020/21 (Actual)	2021/22 (Forecast)	2022/23	2023/24	2024/25
Debt to Net Service Expenditure	5.73	4.32	4.39	4.34	4.18

The Debt to Net Service Expenditure is decreasing as there are no plans to purchase further investment properties, therefore the level of debt outstanding reduces as MRP is charged to the General Fund.

b) Commercial Income to Net Service Expenditure

Table 2 shows the expected income from Investment Properties divided by the Net Service Expenditure. As there are no plans to purchase further investment properties this ratio is forecast to maintain reasonably constant, with changes due to annual rent increases and changes to the Net Service Expenditure.

Table 2 Commercial Income to Net Service Expenditure

	2020/21 (Actual)	2021/22 (Forecast)	2022/23	2023/24	2024/25
Commercial Income to Net Service Expenditure	40.8%	31.7%	35.3%	36.2%	34.8%

This highlights the reliance on Commercial Property Investment income in delivering Council services. The strategy for risk mitigation to manage and maintain the income stream is set out in Section 7 of the Commercial Property Investment Strategy.

c) Investment Cover Ratio

Table 3 shows the expected net income from Commercial Property Investments divided by the Interest Expense. It has been calculated on the basis that all the Commercial Property Investments have been funded by external borrowing, and interest is being incurred

The increases in the ratio year on year in the table is due to forecast increases in the net income based on the lease agreements in place for the existing portfolio. The significant increase in 2022/23 is due to the forecast increase in income from the hotel in line with the terms of the new lease.

The Council uses the annuity method to calculate its MRP for Investment Properties. The annuity method charges less MRP in the early years following purchase and more MRP in the later years. The total amount of MRP charged over the life of the asset will equal the amount of prudential borrowing. Therefore the increasing MRP will reduce the investment income cover, if the ratio is maintained or increases it demonstrates the income increases are matching or exceeding the increasing MRP charges.

Table 3 Investment Cover Ratio

	2020/21 (Actual)	**2021/22 (Forecast)**	**2022/23**	**2023/24**	**2024/25**
Investment Cover	1.24	1.25	1.46	1.51	1.43

d) Loan to Value Ratio

Table 4 shows the Capital Financing Requirement (debt to be funded) for the Investment Properties divided by their estimated valuations.

Table 4 Loan to Value Ratio

	2020/21 (Actual)	**2021/22 (Forecast)**	**2022/23**	**2023/24**	**2024/25**
Loan to Value Ratio	114.76%	112.99%	111.18%	109.32%	107.42%

In the early years, the loan value is expected to exceed the asset value. The main reason for this is due to acquisition costs e.g. stamp duty, agent fees etc. being included in the cost of the Commercial Property Investments that have been funded by borrowing, these costs are not included in the property valuation.

The loan to value is expected to continue to reduce as the capital financing requirement (unfunded debt) reduces as MRP payments are made. The investment properties will be valued regularly. Any increase in Investment Property values will reduce the loan to value ratio and consequently any decrease in value is likely to increase the loan to value ratio.

e) Target Net Income Returns

Table 5 compares the Target Net Income Return with the Actual Net Income Return. The Actual Net Income Return is calculated by dividing the Estimated Investment Property Income less MRP and Interest Costs by the Investment Property Purchases. Similar to c) above the estimated net income return is increasing due forecast increases in income based on the existing lease agreements, being in excess of the increasing MRP charges.

Table 5 Target Net Income Returns

	2020/21 (Actual)	2021/22 (Forecast)	2022/23	2023/24	2024/25
Target Net Income Return	2.50%	2.50%	2.50%	2.50%	2.50%
Estimated Net Income Return	3.07%	3.11%	3.61%	3.73%	3.55%

f) Gross and Net Income

Table 6 compares the estimated gross income with the estimated net income. The net income is the estimated gross income net of interest and MRP charges. As per e) above the net income assumes that interest on external borrowing will be paid for all investments.

Table 6 Gross and Net Income

	2020/21 (Actual)	2021/22 (Forecast)	2022/23	2023/24	2024/25
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Gross Income	£4,311	£4,383	£4,714	£4,816	£4,727
Net Income	£1,899	£1,919	£2,228	£2,306	£2,193

Note: In all of the above indicators where net income returns are included, the estimate assumes that interest on external borrowing will be incurred. The Council, depending on its cash reserve position, may choose to use internal borrowing to finance part or all of its investment property purchases. If internal borrowing is used the net income will increase as interest payable costs are saved.

To date actual external debt of £22.3m has been taken as a consequence of the property investments made, with the remainder being funded with internal borrowing. Table 7 below shows the net income after the actual external interest costs on the additional debt and the MRP charges. This is the actual impact on the MTFS.

Table 7 Gross and Net Income – impact on MTFS

	2020/21 (Actual)	2021/22 (Forecast)	2022/23	2023/24	2024/25
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Gross Income	£4,311	£4,383	£4,714	£4,816	£4,727
Net Income	£2,906	£2,885	£3,193	£3,271	£3,158

g) Break Clauses or Lease Expiries

All of the investment property leases have either i) a break clause which gives the lessee the option to either continue leasing the property or to end the property lease or ii) an expiry date where the tenant vacates the property unless a new lease contract is signed.

There is a risk for the Council with both break clauses and lease expiries, if the existing tenant chooses to leave the property. The risks this exposes the Council to and risk mitigation are, detailed in the Commercial Investment Property Strategy. Risk mitigation includes spreading the dates when break clauses and lease expiries occur across the Council's Commercial Property Investment portfolio.

Table 8 below shows the years when the Council has a break clause or expiry on its current Commercial Property Investment portfolio.

Table 8 Break Clauses or Expiries

Financial Year	Number of Breaks or Expiries
2021/22	0
2022/23	1
2023/24	1
2024/25	2
2025/26	1
2026/27	0
2027/28	0
2028/29	3
2029/30	0
2030/31	0
2031/32	1
2032/33	3
2033/34	1
2034/35	1
2035/36	0
2036/37	0
2037/38	0
2038/39	0
2039/40	0
2040/41	0
2041/42	0
2042/43	0
2043/44	0
2044/45	0
2045/46	1

This information is used when negotiating with tenants to re-gear leases at the appropriate time, the negotiations can include changing the options for break clauses and lease expiry.

Annex 3

Investment Property Acquisition Process

This Annex is retained for information purposes only to demonstrate the process the Council used for acquiring its current Investment Property portfolio.

Reviewed: January 2020

Process and Responsibilities for Commercial Property Investment

As a process, the investment portfolio will require work from various services within Ashfield District Council due to the complex nature of property selection, evaluation and acquisition. Adhering to this process will minimise risk and ensure adherence to Statute and the Prudential Code.

This document should be read alongside the Investment Property Acquisition process map found at the end of this document.

Stage 1 – Identification Stage

Stage 1 may be repeated several times in identifying suitable properties for purchase. The steps required help to ensure that only suitable properties are brought forward as potential investments. The due diligence undertaken here includes, and is not limited to, the tenant covenant, location, the overall market, assessment of risks and the details within the lease.

Step	Element	Document(s) Involved	Responsibility
1	**Opportunity identified** - This can be either by way of direct research by ADC employees or by outside approach from agents. Once a property is identified, an initial financial investment model is produced to determine if the minimum income target can be met.	• Property Brochure	Service Manager – Commercial Development
2	**Min NIY possible?** - The initial financial appraisal outlines the yield that would be obtained with the target of achieving at least 2.5% net initial yield (NIY). All evaluation is done on the basis of external borrowing from the PWLB at the rates current on the given day.	• Financial appraisal	Service Manager – Commercial Development
3	**Collate available documents and send to finance and legal –** Title(s) and Lease(s) may not be available in the first instance for every opportunity.	• Brochure • Financial appraisal • Dunn and Bradstreet reports • Titles and Leases	Service Manager – Commercial Development
4a	**Preliminary Finance due diligence –** Finance will examine the appraisal and credit reports to determine if there is any reason not to proceed; these reasons will be documented and circulated.	• Record of issues (email or otherwise)	Corporate Finance Manager
4b	**Preliminary Legal due diligence –** Legal will examine the available documents (and undertake their own research) to determine if there is any reason not to proceed; these reasons will be documented and circulated.	• Record of issues (email or otherwise)	Director of Legal and Governance
5	**Inspect Property** – Officers will undertake a visual inspection of the property and surrounding area. This inspection informs the	N/A	Service Manager –

	creation of the Briefing note and the Evaluation Matrix.		Commercial Development
6	**Appraise property against matrix and write briefing note –** Taking feedback received from Legal and Finance in conjunction with other sources, the Briefing note and risk assessment are completed and the Evaluation matrix is completed. These documents encapsulate the meaningful aspects of the work thus far and are prepared in order to submit the property for consideration by the Leader / Deputy Leader.	• Briefing note • Evaluation Matrix	Service Manager – Commercial Development
7	**Meet with leadership to present and obtain authority to make and offer –** a meeting will held to table the property as an option and discuss the findings of work to date. Normal attendees (at a minimum) are The Chief Executive Officer, the Service Manager – Commercial Development, the Corporate Finance Manager, and Director of Legal and Governance. After the meeting, and if agreed, the Leader will formally cascade approval to offer on the property. A maximum offer is approved after discussion; although opening offers are always placed below.	• Authority to bid	Service Manager – Commercial Development
8	**Place offer** – After receiving approval, offer letters are drafted, approved and submitted to the vendor's agent. The offer letter contains ADC's offer and terms , such as: • The proposed time for signed Executive Decision Records, surveys, completion • Conditions to be included in the Heads of Terms (HoT), such as receipt of a full legal pack before the process starts. • Exclusivity from agreed HoT. An accepted offer is notified normally by telephone and is followed by receipt of an email with Draft HoT attached.	• Offer letter	Service Manager – Commercial Development

Stage 2- Conveyancing Stage

This stage begins once a bid has been accepted for an investment property. The ongoing due diligence in the first stage would also be brought forward to mitigate risks. Further analysis of the tenant, the building, the lease etc, are evaluated to ensure risk is mitigated.

Step	Action	Document(s) Involved	Responsibility
9	**Agree the Heads of Terms** – After reviewing the received Draft Heads of Terms and making any required amendments, the revised Heads of Terms are returned to the vendor's agent. This process will repeat until both parties are satisfied that the Heads of Terms reflect the agreed position, at which point they are formally approved by both sides. These will then be sent to the Service Manager – Commercial Development and the Director of Legal and Governance.		Service Manager – Commercial Development
10	**Make contact with Vendor's solicitors; receive and verify Legal pack** – Once received by Legal, the appointed solicitor will make contact with the Vendor's solicitor via email or phone to indicate that they are representing ADC in the transaction. ADC Legal will provide the necessary details for receipt of the legal pack; upon receiving the Legal pack, the ADC's solicitor will verify its contents and raise any queries with the other side's solicitor whilst awaiting instructions from the Commercial Property team following a signed Executive Decision Record from the Leader.		Director of Legal and Governance
11a	**Instruct surveys (external) –** After agreeing Heads of Terms, quotes will be sought for conducting building surveys of the property in question. Generally, the property brochure provided at the beginning of the process is provided to at least three Survey firms, with the deadline by which inspections and reports must be completed and received by ADC (this element of the process has a 10 working day time limit from the date of Agreed Heads of Terms being received). Quotes are generally received within 24 hrs and the quote that represents best value for money (taking price, quality and time into account) is selected.		Service Manager – Commercial Development
11b	**Write Urgency Notice/ Report for the Executive Decision Record–** An urgency notice is required for these transactions which must be signed by the Chair of the Scrutiny Committee. The Leader, or delegated person, is obligated to contact the Chair to explain the details of the transaction prior to gaining a		Service Manager – Commercial Development

	signature. An urgency notice is required due to the Decision being Key and the constrained timeframe for the process to be completed. The Report for the Executive Decision Record is the briefing note written earlier with the addition of Recommendations, Implications, Reasons for Urgency, and Exemptions, as per the standard ADC report format. Once a draft is produced by the Service Manager, it is circulated to Legal and Finance for review/amends until it is finally complete and approved by all parties. Then the Leader, Chief Exec and the Service Manager will meet to review the report and answer any remaining questions. Once the Leader is satisfied, the EDR is signed by the Leader and forwarded to Democratic Services, along with the report. A copy of both should also be supplied to Legal for the case file.		
12a	**Notify other side of the EDR** – Once the EDR is signed, an email should be sent to the other side's solicitor noting that the EDR has been signed, meaning that the purchase is officially approved.		Director of Legal and Governance
12b	**Instruct legal** – The Estates Manager will complete the official instructions for Legal to undertake the conveyancing process.		Service Manager – Commercial Development
13	**Conveyancing process** – The conveyancing process is distinctly different for every property purchase, given the unique circumstances that each purchase presents, though each has common activities, i.e. examining titles, searches and queries, contract/Lease examination and amendment, etc.		Director of Legal and Governance
14	**Determine level of borrowing and source / Option to tax (if applicable) –** Finance will determine the level of borrowing need for the purchase as well as whether this should be internal or external borrowing. Finance work closely with their Treasury Management Advisers. They will seek advice to determine whether it is preferable to externally borrow now and risk the cost of carry i.e. interest payable being greater than the interest payable or whether it is best to borrow internally of temporarily if affordable. If the property is being sold as a Transfer of a Going Concern (TOGC), finance will complete a		Corporate Finance Manager

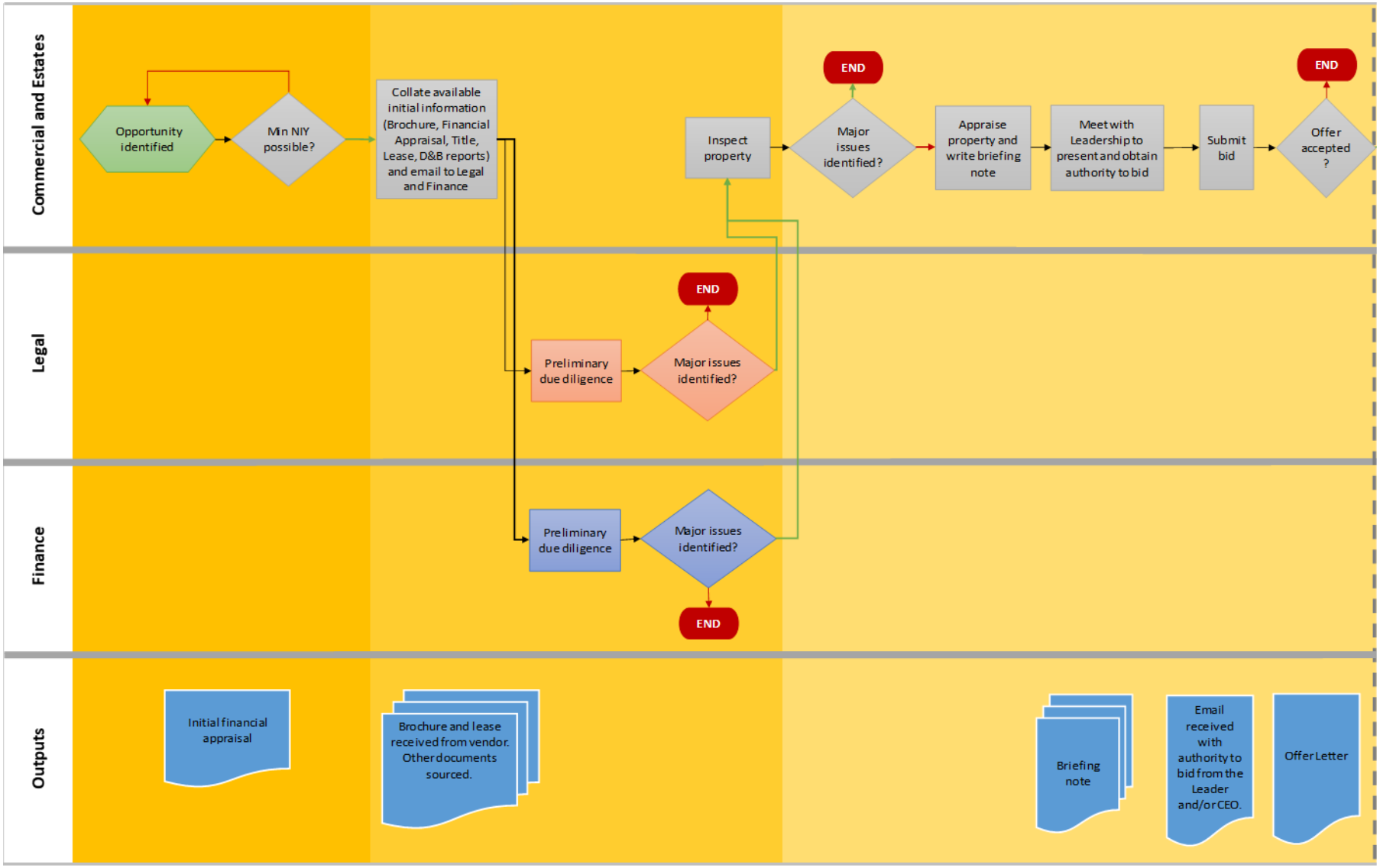
	form to Opt to Tax the property (VAT 1614A). When granted by HMRC, VAT must be paid and passed to HMRC on rents, but VAT will not apply on the purchase of the property. If for whatever reason the purchase does not complete then this can be rescinded by simply informing the HMRC.		
15	**Arrange Insurance –** Once the Surveys have been returned, the values provided therein by the Surveyor will be passed to Finance to arrange appropriate insurance cover for the property, with the date of commencement to be the completion date.		Corporate Finance Manager
16	**Secure funds –** Having previously determined the source of funding, Finance will take steps to secure the funds in anticipation of making payment.		Corporate Finance Manager
17	**Transfer payment** – Once Legal is satisfied that completion can occur, the solicitor will notify Finance that the money can be transferred. Funds will be transferred <u>no later than 1700hrs on the day prior to completion.</u> Failure to meet this deadline risks incurring additional costs in penalties as noted in the sale contract.		Corporate Finance Manager
18	**Complete –** At the agreed date/time, ADC's solicitor and the Vendor's Solicitor will carry out the completion process.		Director of Legal and Governance

Stage 3- Post-completion Stage

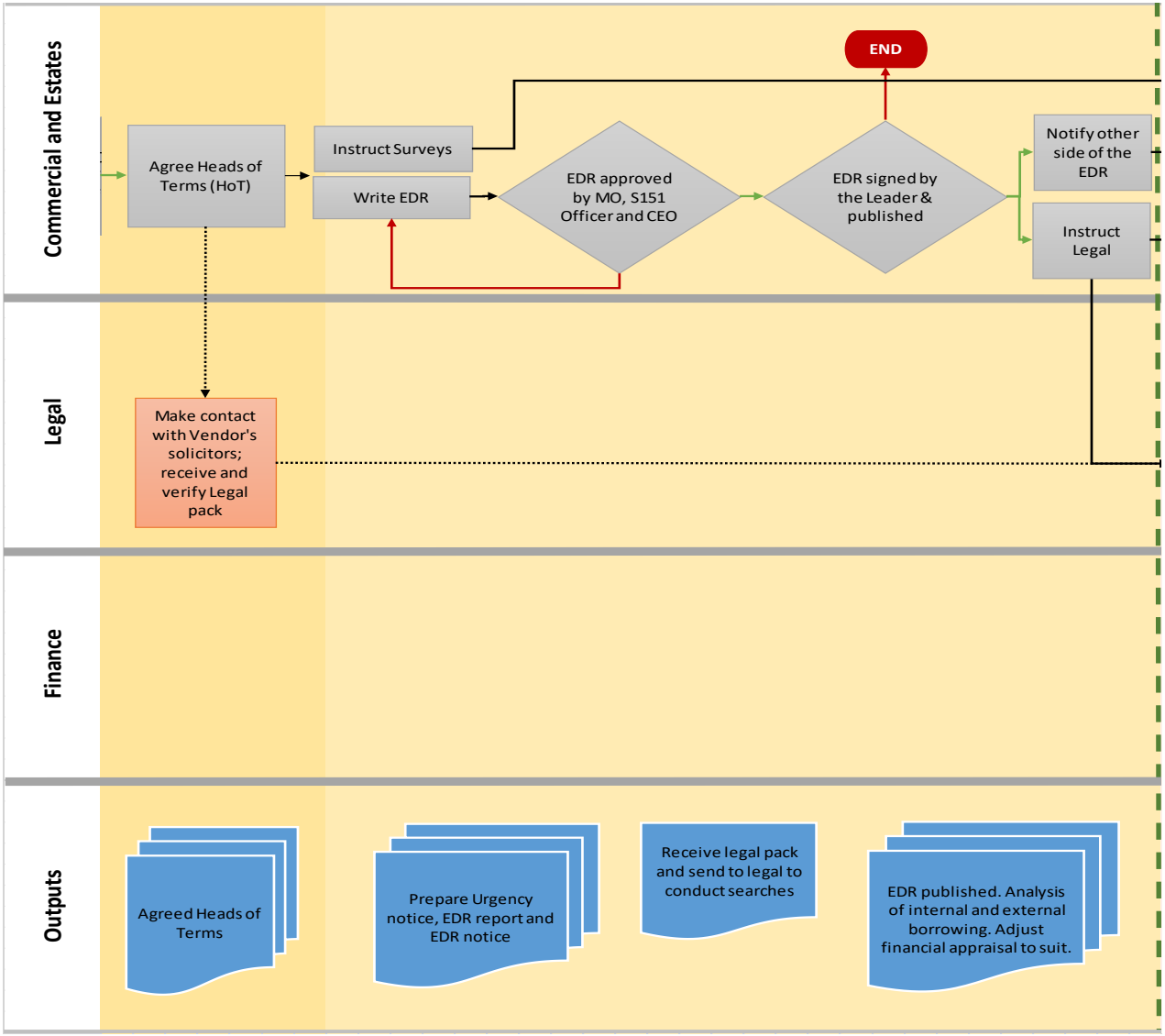
After completion, work remains to complete the entire process before day-to-day management begins.

Stage	Action	Document(s) Involved	Responsibility
19	**Post completion**		Director of Legal and Governance
20	**Authorise Stamp Duty payment to HMRC**		Service Manager – Commercial Development
21	**Update Budget –** The budget will be updated at the next available opportunity to include the expected Rental Income, Minimum Revenue Provision and Interest Payable, if applicable.		Corporate Finance Manager

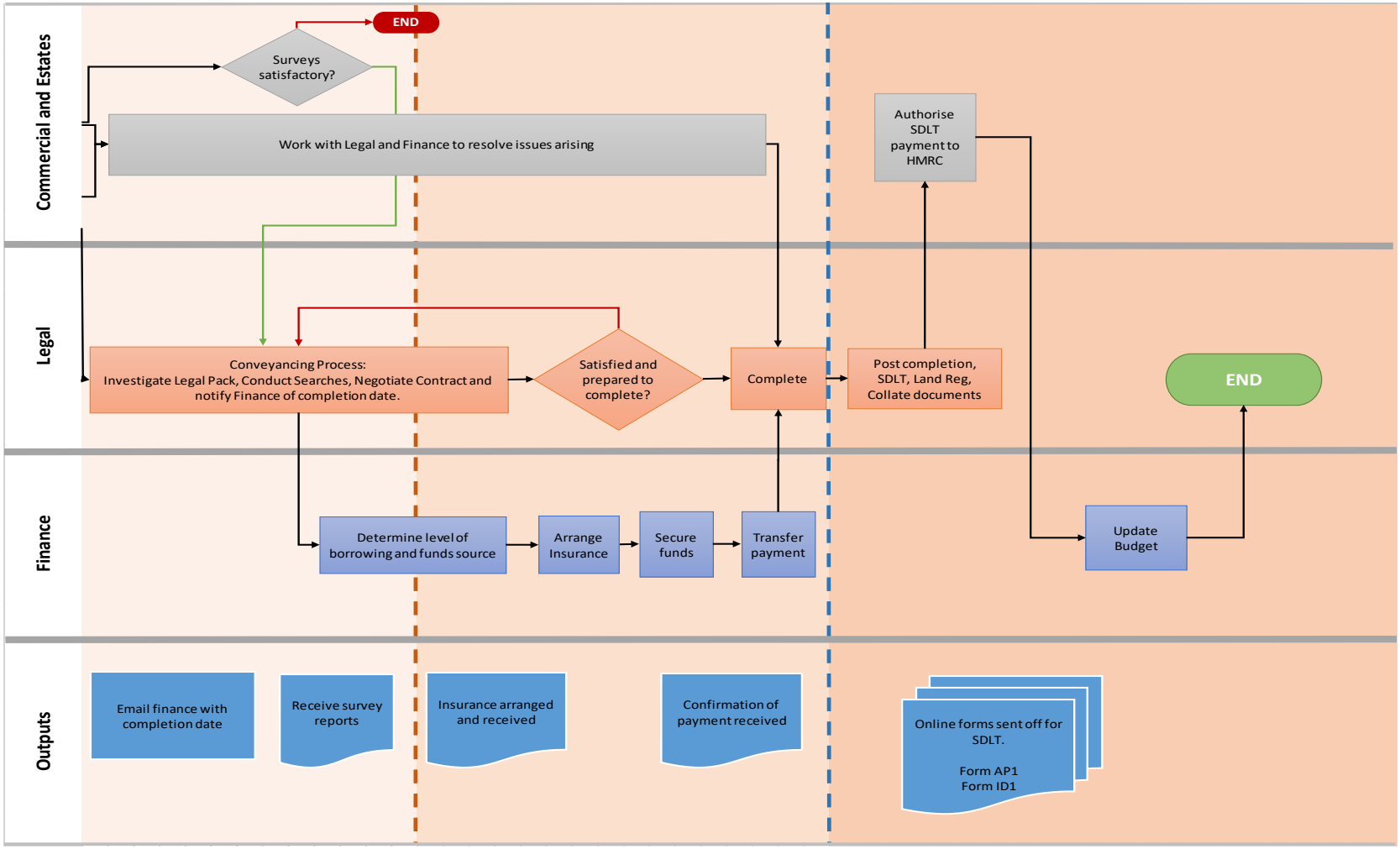
Investment Property Acquisition Process Map - Stage 1: Identification & Bid



Investment Property Acquisition Process Map - Stage 2:EDR and Instructions (Time Limited – 5 working days)



<u>Investment Property Acquisition Process Map</u> - Stage 3: Due Diligence, Completion and Post-completion (Time limited – 15 working days)



Appendix 5

Ashfield District Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2022/23

1 INTRODUCTION

1.1 In 2021 CIPFA revised the Treasury Management Code and Prudential Code – changes which will impact on future Treasury Management Strategy Statement/ Annual Investment Strategy TMSS/AIS reports and the risk management framework.

1.1.2 CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.1.3 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address (Environmental, Social and Governance) ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council; and
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

1.1.4 In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity

which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

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

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

1.1.5 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

1.1.6 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.2.1 Background

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

1.2.3 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 occasions, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2.4 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.

1.2.5 CIPFA defines treasury management as:

"The management of the organisation'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."

1.3 External Context

1.3.1 The information relating to the overall global position of the UK financial markets is currently provided by the Council's Treasury Management Advisers, Link Asset Services. They continue to update the Council with information including on-going market activity surrounding inflation, interest rates and the banking sector.

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

1.3.3 If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

1.3.4 Rising gas and electricity prices in October 2021 with further rises expected next April and increases in other prices caused by supply shortages and increases in National Insurance taxation next April, are already going to deflate consumer spending power without the Monetary Policy Committee (MPC) having to take any action on Bank Rate to cool inflation.

1.4 Key Principles

1.4.1 The Council will follow three key principles with regards to its treasury activity:

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1.5 Reporting requirements

1.5.1 The Cabinet are required to receive and approve, as a minimum, three main treasury management reports each year, which incorporate a variety of policies, estimates and actuals. Council are required to approve the Treasury Management Strategy including the Annual Investment Strategy.

1.5.2 **Treasury Management Strategy including Annual Investment Strategy, prudential and treasury indicators (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).

1.5.3 **A mid-year treasury management report** – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. This report is presented to the Audit Committee.

1.5.4 **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the annual estimates within the strategy.

1.6 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council or/and Cabinet. This role is undertaken by the Audit Committee.

Table 1 below shows the reporting timetable for Treasury Management reports

Table 1 – Reporting timetable

Report to Council and Cabinet	**Frequency**
Treasury Management Strategy / Annual Investment Strategy and MRP Policy	Annually before the start of the year (1st April)
Reports to Cabinet	**Frequency**
Mid-Year Treasury Management Report	Annually mid-year (October/November/December)
Treasury Outturn Report	Annually after the year end and by the 30 September
Reports to Audit Committee	**Frequency**
Receives each of the above reports in advance of Council/Cabinet (where applicable) and makes recommendations as appropriate	In advance of year/mid-year/after year end reports to Cabinet/Council

1.7 Capital Strategy

1.7.1 In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. The revised Prudential Code requires all local authorities to produce a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability

1.7.2 The aim of this report is to ensure that all elected Members of the Council fully understand the overall strategy, governance procedures and risk appetite entailed in this Strategy.

1.7.3 The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.7.4 The Capital Strategy is required to be approved by Council before the start of the new financial year in accordance with the Prudential Code 2017. The capital strategy will be received by Audit Committee in advance of Council for scrutiny and recommendations.

1.8 Non-Treasury Management Investments

1.7.1 The Department for Levelling Up, Housing and Communities (DLUHC) formerly Ministry of Housing and Local Government (MHCLG) issued revised Statutory Guidance on Local Government Investments (2018). The statutory guidance extended the definition of investment and states that the:

"The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

The Guidance requires that for each financial year, a local authority should prepare an Investment Strategy, which should be approved by full Council.

1.7.2 This Council will ensure that all the organisations non-treasury management investments are included in a non-treasury management investment strategy, which will be incorporated into the Capital Strategy. This will set out, where relevant, the organisations risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

1.7.3 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investment in subsidiaries, and investment property portfolios.

1.7.4 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

1.8 Treasury Management Strategy

1.8.1 The Treasury Management Strategy covers two main areas:

Capital issues

- the capital plans and the 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;
- Apportioning interest to the Housing Revenue Account and
- the policy on use of external service providers.

1.8.2 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.

1.9 Cash and Cash Flow Management

1.9.1 It is important that the Council maintains regular cash flow projections to ensure that the Council has enough cash to meet its liabilities in a timely manner, minimises borrowing costs and, where practical to do so, invest surplus cash balances.

1.10 Training

1.10.1 The CIPFA 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.

1.10.2 Those charged with governance have a personal responsibility to ensure they have the appropriate skills and training for their role.

1.10.3 A training session delivered by Link Asset Services, the Council's treasury management advisors was held for the Audit Committee and extended to all Members on the 31 January 2022.

1.11 Treasury management consultants

1.11.1 The Council 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 currently uses Link Asset Services, Treasury solutions as its external treasury management advisors. The contract for this service commenced on 1st April 2021. The Council monitors the services it receives against the terms of their appointment in the contract.

1.11.2 The Council also 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, information from our treasury advisors.

1.11.3 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, that is beyond the advice received by the treasury advisors.

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS

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

2.1.2 The Council will ensure that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt (including through MRP) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum 3 year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term. There should also be separate indicators for the Housing revenue Account (HRA).

2.2 Capital expenditure

Table 2 below summarises the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Capital Programme for 2021/22 to 2025/26 is to be presented to Cabinet as a separate agenda item at the 22nd February 2022 Cabinet meeting, with final approval being sought by Council on 3rd March 2022. Members will be asked to approve the capital expenditure forecasts at least annually.

Table 2 - Capital Expenditure

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	3.335	31.283	15.173	2.095	3.229	1.368
HRA	5.098	11.999	23.087	16.868	14.287	13.713
Commercial activities / non financial investments	3.305	0.0000	0.000	0.000	0.000	0.000
Total	**11.738**	**43.282**	**38.260**	**18.963**	**17.516**	**15.081**

Table 3 below summarises how the capital expenditure plans will be financed by capital or revenue resources. Any shortfall of resources results in a borrowing need. The Direct Revenue Financing is mainly use of Housing Revenue Account reserves to support the Decent Homes work and Affordable Housing Development Schemes.

Table 3 - Financing of the Capital Expenditure

Financing of Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Receipts	0.441	1.598	3.116	1.280	1.280	1.280
Capital Grants	3.077	12.612	7.928	2.558	1.122	1.122
Capital Reserves	0.104	0.120	0.000	0.000	0.000	0.000
Direct Revenue Financing	4.506	9.600	18.378	14.358	13.007	12.433
Borrowing Requirement	**3.610**	**19.352**	**8.838**	**0.767**	**2.107**	**0.246**

2.3 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (it is the historic unfunded capital expenditure). It is essentially a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure above, which is financed by borrowing 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 to revenue as they are used. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no PFI schemes or other long-term liabilities.

2.4 IFRS 16 Lease accounting becomes effective on 1st April 2022. This accounting standard requires that both finance leases and operating leases are included on the Balance Sheet. Previously the requirement was only for finance leases to be shown on the Balance Sheet. This in effect means that any existing operating leases and any new leases the Council enters into will need to be treated as capital expenditure and increase the CFR. The Council is currently assessing the impact of the introduction of this new standard, although it is not expected to be material. The capital prudential indicators reflect lease asset costs from year 2022/23 which is the year the standard becomes effective from.

2.5 Core funds and expected investment balances

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

2.6 Table 4 below outlines the Balance Sheet Summary and Forecast excluding the Planned Commercial Investment Property. It shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (CFR), highlighting the Council's level of under/over borrowing. It also includes a forecast for the year-end balances for usable reserves and working capital (the resources available to internally borrow against) and shows the forecast level of investment or new external debt.

2.7 The Council has an increasing CFR until the end of 2022/23 due to the future planned unfunded capital expenditure, mainly the Leisure Centre Projects. After which the CFR reduces as *MRP charges exceed unfunded capital expenditure*. This position is continually reviewed due to the level of reserves and working capital having many variables and due to slippage in delivery of the capital programme making forecasting with certainty difficult. It shows a high-level direction of travel and indicates we may need to take on external debt in future years. The associated costs for external borrowing have been provided for in the Medium-Term Financial Strategy.

Table 4 - Balance Sheet Summary and Forecast

31st March:	2021	2022	2023	2024	2025	2026
Loans Capital Financing Requirement	162.1	175.3	180.2	177.3	175.8	172.3
Less: External Borrowing	(97.0)	(97.0)	(95.5)	(93.5)	(93.5)	(92.0)
Internal (Over) Borrowing	**65.1**	**78.3**	**84.6**	**83.8**	**82.3**	**80.2**
Less: Usable Reserves and Working Capital	-82.7	-95.7	-83.4	-81.3	-77.4	-74.5
Investments / (New Borrowing)	**17.6**	**17.4**	**-1.2**	**-2.5**	**-4.9**	**-5.8**

2.8 **Affordability prudential indicators**
The strategy details the overall capital and control of borrowing prudential indicators, but within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.9 **Ratio of financing costs to net revenue stream (See Appendix A Table 1)**
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

2.10 **Treasury indicators for debt (See Appendix A Table 8 and 9)**
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.

2.11 **Treasury Indicators: limits to borrowing activity**

2.12 **The operational boundary (See Appendix A Table 6)**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

2.13 **The authorised limit for external debt (See Appendix A Table 5)**. 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 the full Council. It reflects the level of external debt which while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The latest Affordability Prudential Indicators and Treasury Indicators are attached at Appendix 'A'.

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

2.15 This Council defines its treasury management activities as:

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

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.16 The investment policy objective of this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA code and DLUHC guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The generation of investment income to support the provision of local authority services is important, but secondary, objective.

2.17 The Council's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003 and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

2.18 **Current portfolio position**
The Council's current treasury portfolio position is set out in **Appendix 'B'**.

2.19 **Prospects for interest rates**
The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The details of their latest view is shown in **Appendix 'C'** to this report.

2.20 **Borrowing strategy**

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

2.20.2 Against this background and the risks within the economic forecast, caution will be adopted within the treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

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

- Public Works Loans Board (PWLB) and any successor body.
- Any institution approved for investments (see Annual Investment Strategy below)
- Any bank or building society authorised to operate in the UK.
- UK public bodies including pension funds (excluding Nottinghamshire County Council Pension Fund)
- Capital Market bond investors.

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

- Operating and Finance leases
- Hire Purchase
- Sale and leaseback

2.20.5 **LOBOs:** The Council holds £19.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option either to accept the new rate or to repay the loan at no additional cost. No LOBOs have options during 2022/23. The next option will be in 2023/24. The Council understands that lenders are unlikely to exercise their options in the current low interest rate environment; there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. It is unlikely that the Council will take out any new LOBO loans in the future.

2.21 **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.

2.21.1 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any

additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

2.21.2 The Corporate Finance Manager reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the 2022/23 annual budget report.

2.22 Debt rescheduling

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

2.22.2 The reasons for any debt 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).

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

2.23 Apportioning interest to the Housing Revenue Account

2.23.1 The Council currently operates a one pool approach on external debt. The interest charges are initially charged to the General Fund and recharged to the Housing Revenue Account (HRA) through the Item 8 (item 8 of Part I and item 8 of Part II of Schedule 4 to, the Local Government and Housing Act 1989) adjustment. The Council has fixed the interest rate charged on the Capital Financing Requirement (CFR) of the HRA to 4.43%. The HRA CFR is currently £80.061m. If this does not change the annual interest amount charged to the HRA will be £3.547m.

2.23.2 The Council will credit the HRA each year with its share of interest receivable. This will be calculated by multiplying the average HRA reserve balances by the average interest receivable percentage.

3 ANNUAL INVESTMENT STRATEGY

3.1.1 Investment policy

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

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

3.1.4 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector 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.

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

3.2 Creditworthiness policy

3.2.1 The primary principle governing the Council's investment criteria is the security of its investments, followed by liquidity, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

3.2.2 The S151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

3.2.3 Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

3.2.4 The intention of the strategy is to provide security of investment and the minimisation of risk. The aim is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

highest priority - security of the invested capital;
followed by - liquidity of the invested capital (this enables the Council to react to changing circumstances);
finally - an optimum yield which is proportionate with security and liquidity.

Investments made by the Council's Officers are restricted to the following organisations:-

(a) Banks or Building Societies who currently meet the Link Asset Services suggested investment duration
(b) Nationalised Industries and Statutory Corporations
(c) Other Government Institutions
(d) Other Local Authorities
(e) Money Market Funds
(f) Bills of Exchange which have been accepted by authorised institutions
(g) United Kingdom Gilt-edged Securities
(h) Negotiable instruments such as Certificates of Deposit, Treasury Bills and Corporate Bonds
(i) Approved Country limit**.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of *AA*+ previously AAA. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex D Treasury Management Practice, TMP1 Risk Management, b) Approved Countries for Investments. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
(j) Pooled Funds – Multi Asset Income funds, bond funds and property funds.

This (Pooled Funds) will represent a new class of investment available for the Council.

Total investments with any one institution shall not exceed £5m.

Total investments of over 365 days shall not exceed £5m in total.

The Council's operational bank account is currently provided by Barclays Bank.

3.2.5 Use of additional information other than credit ratings.
Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

3.3 **Specified investments/unspecified investments**

3.3.1 Investments are categorised as specified and non-specified investments.

Specified investments defined by DLUHC guidance as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangements,
- Not defined as capital expenditure by legislation,
- Invested with one of:
  - The UK Government
  - A UK local authority, parish council, or community council, or
- A body or investment scheme of "high credit quality"

The Council now defines "high credit quality" organisations as those having a minimum sovereign credit rating of AA+.

Non-specified investments - those with less high credit quality, those 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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity.

3.3.2 The Council does not currently hold any non-specified investments. The Council is setting a limit of £5m for non-specified investments to allow for use of non-specified investments, should it be considered appropriate to use these in the future and so the Council it is not restricted by the strategy. Non-specified investments will be limited to long-term investments, i.e. those that are due to mature 365 days or longer from the date of arrangements, and instruments that are more complex such as diversified or property funds.

3.4 **Country and sector limits**

Due care will be taken to consider the country, group, and sector exposure of the Council's investments. This report is requesting that the Council will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from rating agencies. The previous minimum sovereign credit rating was AAA which was the highest credit rating of the Nottinghamshire Local Authorities.

Total investments with any one group shall not exceed £5m.

Sector limits will be monitored regularly for appropriateness.

3.5 **Investment strategy**

3.5.1 **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**.

  Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Table 7 below shows the Link forecast Bank Rates for financial year ends (31 March):

Table 7 - Forecast Bank Rates for financial year ends (31 March):

Year	Base Rate
2021/22	0.25%
2022/23	0.75%
2023/24	1.00%
2024/25	1.25%

3.5.2 Table 8 below shows the forecast investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Table 8 – Forecast Investment Rates

Year	Average Return
2021/22	0.30%
2022/23	0.70%
2023/24	1.00%
2024/25	1.00%

3.5.3 The overall balance of risks to these forecasts is currently towards the downside and are dependent on how strong GDP growth turns out and how quickly inflation pressures rise.

3.5.4 **Investment treasury indicator and limit** - **Total principal funds invested for greater than 365 days**. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. It is based on the availability of funds beyond each year-end. The Council's investment treasury indicator and limit for 2022/23 is to be £5m.

3.6 **Investment Liquidity**

In consultation with the external treasury advisors, the Council will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

3.7 **External Fund Manager**

External fund managers can be appointed to manage a portfolio of investments. The Council currently has no funds externally managed and is unlikely to do so in the short to medium term.

3.8 **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.

4 MINIMUM REVENUE PROVISION (MRP) STATEMENT

4.1 An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue. The amount charged to the revenue budget for the capital expenditure is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

4.2 The Local Government Act 2003 requires the Council to have regard to the Department for Levelling Up, Housing and Communities (DLUHC) 'Guidance on Minimum Revenue Provision'. The latest guidance was issued in February 2018.

4.3 The broad aim of the DLUHC Guidance is to ensure a prudent provision is made from revenue over time to cover the total amount of capital expenditure needed to be met from revenue. A prudent provision is considered to be, where the period over which MRP is charged is aligned to the period over which the capital expenditure provides benefits (asset life). MRP cannot be negative and can only be zero if the CFR is nil or negative, or if the charge is fully reduced by reversing previous overpayments. A maximum asset life of 50 years can be used, unless in the opinion of an appropriately qualified professional advisor the life of the asset is expected to exceed 50 year.

4.4 The DLUHC Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. However, the guidance gives flexibility in how MRP is calculated, providing the calculation is 'prudent'. The following policy included in the statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

4.5 In accordance with the latest DLUHC Guidance, for capital expenditure financed by borrowing, the Council has four broad options:

- The 4% reducing balance method.
- The straight line asset life method
- The annuity asset life method
- The Depreciation method.

4.6 Minimum Revenue Provision Policy

4.7 Regulation 28 of the 2003 Regulations requires the Council to calculate in each financial year a prudent provision to ensure that debt is repaid over a period that is reasonably commensurate with that over the capital expenditure provides benefits (asset life).

4.8 For pre 2008 supported borrowing, the Council has moved to a 50 year Annuity method, charging MRP based on a corresponding 50 year PWLB borrowing rate. This is more prudent than the previous 4% reducing balance as this calculation extends to over 300 years.

4.9 For post 2008 it is proposed that unsupported borrowing, and any new borrowing, MRP will be calculated as follows:

- For assets with a life of 10 years or less, the straight line asset life method (as is currently the case).
- For assets with a life in excess of 10 years, the annuity asset life method will be used.

4.10 The asset life method calculation requires estimated useful lives of assets to be input into the calculations. These life periods will be determined by the Chief Financial Officer (S151), with regard to the statutory guidance and advice from professional valuers if required.

4.11 The annuity rate used for the MRP charge will be the Public Works Loans Board (PWLB) certainty rate on the date the capital expenditure is incurred, where a one-off capital payment is made i.e. for investment properties. For all other capital expenditure funded from borrowing, where the expenditure is incurred over a period of time, the average annual PWLB certainty rate for the financial year will be used.

4.12 The Chief Financial Officer (S151) may also determine that if, in their opinion, the straight line method is more prudent for an asset with a life in excess of 10 years then this option may be used.

4.12.1 MRP will be not be charged until the later of; the year after capital expenditure is incurred or the year after the asset becomes operational.

4.13 Capital Receipts from the sale of investment properties funded as prudential borrowing will be used to reduce the Capital Financing Requirement by the outstanding prudential borrowing for the asset sold.

4.14 No MRP will be charged for assets in the Housing Revenue Account.

4.15 Voluntary Revenue Provision (VRP) may be made at the discretion of the S151 Officer.

4.16 For leases that are included on the balance sheet the MRP charge will be the same as the principal repayment on the lease.

4.17 Where loans are made to third parties for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.

Annex A Prudential Indicators

Prudential Indicators of Affordability

The Council is required to consider all of its available resources in the medium term (usually defined as three years) together with total plans for expenditure. Any known significant variations beyond this timeframe also need to be taken into account.

The Prudential indicators for affordability are as follows:

a) Estimate of the ratio of financing costs to the net revenue stream for the next three years split between the Housing Revenue Account and the General Fund

For the next three years the Council is required to calculate an estimated ratio of its financing costs to net revenue stream for both the General Fund and the Housing Revenue Account (HRA). For the HRA this is calculated by dividing the HRA capital financing costs by the total estimated Council Dwelling Income. For the General Fund this is calculated by dividing the General Fund capital financing costs by the estimated Council Tax Receipt plus Central Government Grants.

The suggested indicators for the next three years are displayed in Table 1 below.

Table 1 – Ratio of financing costs to net revenue stream for the Housing Revenue Account and General Fund.

	2022/2023 %	**2023/2024 %**	**2024/2025 %**
Housing Revenue Account	13.92	13.23	12.56
General Fund	21.49	35.03	33.69

The General Fund indicators are based best estimates for NNDR these will be updated to reflect final MTFS for Cabinet in February. The Ratio for the General Fund increases from 2023/24 as a result of reduced Government funding and increased MRP charges due to Leisure Centre Developments.

Table 2 – Ratio of financing costs to net revenue stream for the General Fund including Investment Property income.

	2022/2023 %	**2023/2024 %**	**2024/2025 %**
General Fund	-9.60	-6.70	-6.46

The investment properties have significant financing costs. However, these financing costs are more than offset by the income they generate.

b) Estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels

Authorities are required to estimate for the next three years the impact on the Council Tax (General Fund) and Rent levels (HRA) of the capital programme including running costs and financing costs. These indicators have been prepared using the revised Capital Programme, on the same agenda as this report.

The suggested indicators for the incremental impact for the next three years are shown in Table 3 below.

Table 3 - Incremental Impact of capital investment decisions on Council Tax and Rent Levels

	2022/2023 £	2023/2024 £	2024/2025 £
General Fund (Band D)	19.88	22.03	4.82
HRA (52 weeks)	0	0	0

Table 3 includes Minimum Revenue Provision (MRP) and interest payable as the incremental charges for capital investment funded by borrowing. MRP is not charged until the later of i) the year following purchase or ii) the year the asset becomes operational. Therefore, the MRP charges are included in the calculations in the year it is estimated the MRP charges will be made. The ratio for the General Fund is calculated by estimating the interest payable on the average capital borrowing requirement plus the MRP charges and dividing this by the estimated number of band D equivalents.

There is not anticipated to be any new borrowing for the HRA between 2022/23 – 2024/25.

c) Net borrowing and the Capital Financing Requirement split between the General Fund and the Housing Revenue Account

In order to ensure that in the medium term borrowing is only undertaken for capital purposes, local authorities are required to ensure that external borrowing does not exceed, except in the short term, the total of their capital financing requirement over the planning period. In broad terms the capital financing requirement reflects an authority's need to borrow for capital purposes and is a measure of the assets contained on the balance sheet which have as yet not been fully financed, i.e. there is still some indebtedness outstanding.

It is necessary to estimate the capital financing requirement at the end of the forthcoming year and the subsequent two years for both the Housing Revenue Account and General Fund activities these are presented in Table 4 below.

Table 4 – Estimates of Capital Financing Requirement.

	31st March 2023	31st March 2024	31st March 2025
	£m	£m	£m
Housing Revenue Account	80.061	80.061	80.061
General Fund	105.303	102.517	101.053
Total	185.364	182.578	181.114

d) Capital Expenditure

Estimates of capital expenditure for the next three years split between the General Fund and the Housing Revenue Account

The estimated total capital expenditure per year for 2022/23 to 2024/25, as detailed in the Capital Programme Report approved by Cabinet on the 22nd February 2022, is shown below in Table 5:

Table 5 – Housing Revenue Account and General Fund Capital Expenditure estimates.

	2022/2023	2023/2024	2024/2025
	£m	£m	£m
Housing Revenue Account	23.087	16.868	14.287
General Fund	15.173	2.095	3.229
Total	38.260	18.963	17.516

External Debt

e) Authorised Limit

For the next three years the authority is required to set an authorised limit for its total external debt, gross of investments. This is calculated by taking into account current external debt, new borrowing for loans which mature or for capital purposes and the need to borrow on a short term basis to cover for temporary shortfalls in revenue income and expenditure.

The future authorised limits for the next three years are contained in Table 6 below.

Table 6 – Authorised Limits for External Debt

	2022/2023	2023/2024	2024/2025
	£m	£m	£m
Borrowing	217	203	199

f) Operational Boundary

As well as an authorised limit the local authority must also set an operational boundary for its external debt for the next three years. The operational boundary is based on the most likely or prudent but not worst case scenario in relation to cash flow.

The future Operational Boundary for the next three years is shown in Table 7.

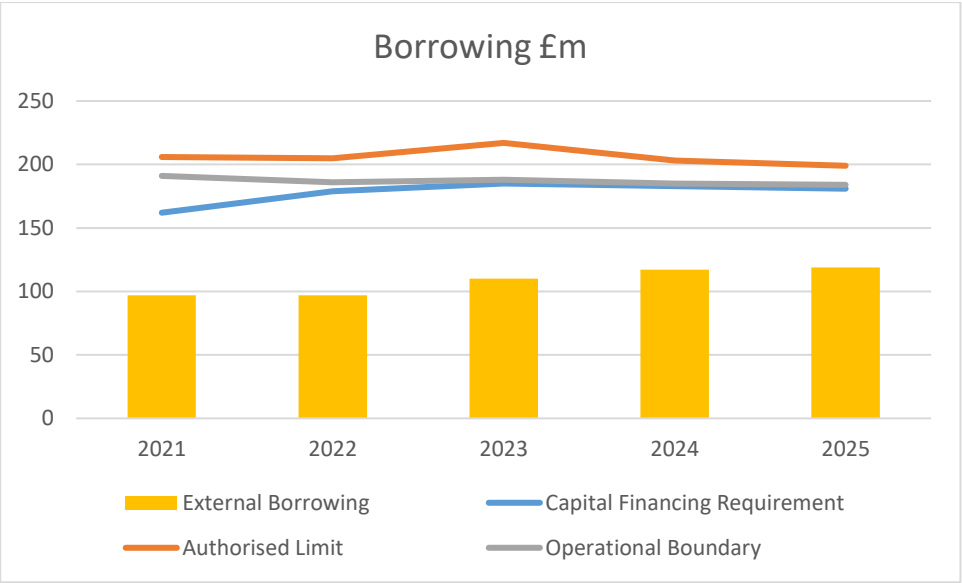
Table 7 – Operational Boundary for External Debt

	2022/2023	2023/2023	2024/2025
	£m	£m	£m
Borrowing	188	185	184

g) Comparison of External Debt to Capital Financing Requirement, Operational Boundary and Authorised Limit

Table 8 below shows the gap between the existing external debt to the Capital Financing Requirement, Operational Boundary and Authorised Limit

Table 8 – Borrowing



Prudential Indicators for Treasury Management

The prudential indicators for prudence have to be set taking into account those relating to affordability as outlined above and are as follows:

Treasury Management

a) Interest rate exposure

Local authorities are required to set limits for the next three years for the upper limits on exposure to the effects of changes in interest rates. The indicators relate to both fixed and variable rate interest and are net of any investments.

Depending on the level of interest rates and their expected movement in the year, the Council may take up all of its new borrowings in the form of either fixed or variable rate debt. The figures Table 8 give the following maximum levels, when compared to the authorised limit, of exposure to fixed and variable interest rates, which are prudent limits for the forthcoming years:

Table 8 - Interest Rate Exposure

Principal Outstanding	**2022/2023**	**2023/2024**	**2024/2025**
	£m	**£m**	**£m**
Fixed Rates	217.0	203.0	199.0
Variable Rates (No more than 40% of the operational boundary).	86.8	81.2	79.6

b) Maturity Structure of borrowing

For the next three years' the authority is required to set both lower and upper limits for the maturity structure of its borrowing. This indicator relates only to fixed rate debt and is therefore a measure of the longer-term exposure to interest rate risk.

Table 9 shows the proposed lower and upper limits for all three years, given the current structure of the Council's debt portfolio:

Table 9 - Maturity Structure of Debt

Maturity Structure of Fixed Rate Borrowing	Forecast Position for 31/03/2022	Lower Limit %	Upper Limit %
Under 12 Months	6.70%	0%	5%
Under 24 Months	11.05%	0%	10%
Under 5 Years	15.14%	0%	20%
Under 10 Years	24.46%	0%	25%
Under 20 Years	37.86%	0%	40%
Under 30 Years	43.01%	0%	50%
Under 40 Years	77.02%	0%	80%
Under 50 Years	100.00%	0%	100%
50 Years and Above	0.00%	0%	0%

c) Principal sums invested for more than 364 days

Where a local authority invests or plans to invest for periods of more than 364 days it must set an upper limit for each year for the maturity of such investments. The purpose of setting this limit is to contain any exposure to losses, which might arise in the event of having to seek early repayment of the investment and / or adverse movements in shorter-term interest rates.

It is suggested that the use of longer-term investments be limited to a maximum of £5m in each of the next three years to tie in with the Council's already approved policy of not investing more than £5m with any one bank or building society at the same time.

Annex B Council's current treasury portfolio position

Table 1 - Current Debt and Investment Portfolio Position 31st December 2021

Maturity Structure of Fixed Rate Borrowing	Amount £m	Forecast Position for 31/03/2022	Lower Limit %	Previous Upper Limit %	Revised Upper Limit %
Under 12 Months	6.500	6.70%	0%	5%	10%
Under 24 Months	10.727	11.05%	0%	10%	15%
Under 5 Years	14.690	15.14%	0%	20%	20%
Under 10 Years	23.736	24.46%	0%	25%	25%
Under 20 Years	36.736	37.86%	0%	40%	40%
Under 30 Years	41.736	43.01%	0%	50%	50%
Under 40 Years	74.736	77.02%	0%	80%	80%
Under 50 Years	97.036	100.00%	0%	100%	100%
50 Years and Above	0.000	0.00%	0%	0%	0%

Table 2 – Council Loans at the 31st December 2021

External Borrowing:	**£m**
Fixed Rate PWLB	62.536
Fixed Rate Other Loans (Banks)	15.000
LOBO Loans	19.500
Total Gross External Debt	**97.036**
Treasury Investments:	
Money Market Funds	-19.900
Call Accounts	-13.437
Fixed Term Deposits	-12.000
Total Treasury Investments	**-45.337**
Total Net External Debt	**51.699**

Table 3 – Council Money Market Fund investments as at the 31st December 2021

Money Market Fund	**£m**
Aberdeen GBP Liquidity Fund	4.900
Insight Sterling Liquidity Fund	5.000
Federated Short Term	5.000
Aviva GBP Liquidity Fund	5.000
Total	**19.900**

N.B. for both of these investments the Authority is classed as professional investor under MIFID II regulation.

Table 4 – Council Call Account Investments as at 31st December 2021

Call Accounts	**£m**
Barclays Bank	3.486
Handelsbanken	4.951
Santander 35 Day Notice Account	5.000
Total	**13.437**

Table 5 – Council Term Deposit Investments as at 31st December 2021

Term Deposits	**£m**
Al Rayan Bank	5.000
Landesbank Hessen Thüringen Girozentrale	5.000
Skipton Building Society	2.000
Total	**12.000**

Annex C - Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for PWLB certainty rates, (gilt yields plus 80 bps).

Link Group Interest Ra 20.12.21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could

now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that Labour Force Survey (LFS) employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to

counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decade high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
  See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of

the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Annex D Treasury Management Practices

TMP1 RISK MANAGEMENT
a) GENERAL STATEMENT

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 04/03/2019 and will apply its principles to all investment activity. In accordance with the Code, the Corporate Finance Manager has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by at least two of the three main rating agencies i.e. Standard and Poor's, Moody's and / or Fitch rating agencies.

5. A body that is considered of a high credit quality (such as a bank or building society for category 5 this covers bodies with a minimum Short Term rating of Standard and Poor's P-2 or the Moody's and Fitch equivalent).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are a maximum investment of £5m in any one institution and a maximum duration of up to 1 year or duration as advised by our treasury management advisers.

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£)
a.	**Supranational bonds greater than 1 year to maturity**	AAA long term ratings
	(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).	£5m
	(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5m
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£250k

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within category c, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in this body. The intention will be to keep overnight balances to a minimum. Any balance on this account will be when the Authority has not had the opportunity to transfer balances to an approved counterparty.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

b) APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA+. The Authority will continue to invest with counterparties in the UK despite the UK only currently having an AA- rating.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

THIS LIST IS AS AT 22.12.2021

c) TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

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

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

d) THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer *(see TM Code page 38 (iv)*

- 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.

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ASHFIELD DISTRICT COUNCIL – Council Meeting held on 3rd March 2022

COUNCIL TAX RESOLUTION 2022/23

The Council is recommended to resolve as follows:

1 That it be noted that on 8th December 2021 the Council calculated the Council Tax Base for 2022/23:

(a) for the whole Council area: **34,052.7**

(b) for dwellings in those parts of its area to which a Parish precept relates –

The Parish of Annesley and Felley: **547.6**
The Parish of Selston: **3,713.0**

2 That the calculation of the Council Tax requirement for the Council's own purposes for 2022/23 (excluding Parish precepts) is **£6,655,941.**

3 That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:

(a)	**£61,462,766**	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)	**£54,517,382**	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	**£6,945,384**	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year.
(d)	**£203.96**	being the amount at 3(c) above, divided by 1(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)	**£289,443**	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the tables below).
(f)	**£195.46**	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above 1(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 Parish precept relates.

4 To note that Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

5 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2022/23 for each part of its area and for each of the categories of dwellings.

DETAILS OF INDIVIDUAL COUNCIL TAX AMOUNTS BY PRECEPTOR AND VALUATION BAND

Ashfield District Council

Council Tax Base	34,052.7	2021/22 Band D Council Tax	£190.46
Council Tax Amount	£6,655,941	Percentage Increase	2.63%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£130.31	£152.02	£173.74	**£195.46**	£238.90	£282.33	£325.77	£390.92

Nottinghamshire County Council

Council Tax Base	34,052.7	2021/22 Band D Council Tax	£1,580.85
Council Tax Amount	£55,985,704	Percentage increase	4.00%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£1,096.06	£1,278.74	£1,461.41	**£1,644.09**	£2,009.44	£2,374.80	£2,740.15	£3,288.18

Nottinghamshire Police and Crime Commissioner

Council Tax Base	34,052.7	2021/22 Band D Council Tax	£244.26
Council Tax Amount	£8,657,899	Percentage increase	4.09%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£169.50	£197.75	£266.00	**£254.25**	£310.75	£367.25	£423.75	£508.50

Nottinghamshire Fire and Rescue Authority

Council Tax Base	34,052.7	2021/22 Band D Council Tax	£82.95
Council Tax Amount	£2,879,837	Percentage increase	1.95%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£56.38	£65.78	£75.17	**£84.57**	£103.36	£122.16	£140.95	£169.14

Annesley and Felley Parish Council

Council Tax Base	547.6	2020/21 Band D Council Tax	£101.26
Council Tax Amount	£55,450	Percentage increase	0.00%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£67.51	£78.76	£90.01	**£101.26**	£123.76	£146.26	£168.77	£202.52

Selston Parish Council

Council Tax Base	3,713.0	2021/22 Band D Council Tax	£63.02
Council Tax Amount	£233,993	Percentage increase	0.00%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£42.01	£49.02	£56.02	**£63.02**	£77.02	£91.03	£105.03	£126.04

Aggregate of Council Tax Requirements for residents of Annesley and Felley

Equivalent Council Tax in 2021/22	£2,199.78
Percentage increase	3.63%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£1,519.76	£1,773.05	£2,026.33	**£2,279.63**	£2,786.21	£3,292.80	£3,799.39	£4,559.26

Aggregate of Council Tax Requirements for residents of Selston

Equivalent Council Tax in 2021/22	£2,161.54
Percentage increase	3.69%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£1,494.26	£1,743.31	£1,992.34	**£2,241.39**	£2,739.47	£3,237.57	£3,735.65	£4,482.78

Aggregate of Council Tax Requirements for residents of all other parts of the Council's area

Equivalent Council Tax in 2021/22	£2,098.52
Percentage increase	3.81%

2022/23 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£1,452.25	£1,694.29	£1,936.32	**£2,178.37**	£2,662.45	£3,146.54	£3,630.62	£4,356.74

6 That the Council determine whether the Council's basic amount of Council Tax for 2022/23 is excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

In the Department for Levelling Up, Housing and Communities report "The Referendums Relating To Council Tax Increases (Principles) (England) Report 2022/23" (published on 11 February 2022), it sets out the circumstances under which a council's Council Tax increase might be regarded as excessive, which would trigger a referendum. These principles have been approved under section 52ZX of the amended Local Government Finance Act 1992.

The principles relating to 2022/23 state that:

Principles for 2022-23 for authorities belonging to the category of Shire district councils (Paragraph 23)

23. For 2022-23, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 23 is excessive if the authority's relevant basic amount of council tax for 2022-23 is

(a) 2%, or more than 2%, above its 2021-22 level; and

(b) more than £5 above its 2021-22 level.

This means the authority would need to exceed **both** the percentage and cash referendum principles in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum.

Ashfield District Council's basic (Band D) level of Council Tax was £190.46 in 2021/22, and is proposed to be £195.46 in 2022/23, represents a £5 increase at Band D. Therefore, it can be determined that the Council would **not** be increasing the Council Tax by an excessive amount.

REPORT AUTHOR AND CONTACT OFFICER

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Extraordinary Meeting of the Council
3 March 2022
Schedule of Recommendations

N.B.
The Schedule sets out recommendations from the Cabinet and the Council's Committees upon which Council is required to reach a decision. During discussion of these items Council Procedure Rule 16 applies (Rules of Debate). Speeches must be relevant to the item being debated. Speeches do not have to be in the form of, or include a question. Members may speak for up to 5 minutes. The Chairman may allow a further 2 minutes at his/her discretion. A Member may only speak once on a motion but may also speak once on an amendment.

Meeting:	Minute No:	Subject:	Recommendation(s):
Audit Committee 31 January 2022	**AC.21**	**Appointment of External Auditors from 2023/24**	RESOLVED that Council be recommended to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023. (Report attached at Appendix A)

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Appendix A

Ashfield
DISTRICT COUNCIL

Report To:	**Audit Committee**
Date:	**31ST JANUARY 2022**
Heading:	**APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/24**
Portfolio Holder:	**PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN**
Ward/s:	**ALL**
Key Decision:	**No**
Subject to Call-In:	**NO**

Purpose of Report

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

Recommendation(s)

To recommend to Full Council that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

Reasons for Recommendation(s)

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council.

Alternative Options Considered

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.

These alternatives would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service.

There is also a risk the Council would fail to appoint an auditor, as a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.

Detailed Information

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

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

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

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council/Authority. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council/Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

Implications

Corporate Plan:

The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Value for Money Assessment of the Council in each financial year, in accordance with

all relevant codes of practice and guidance. This gives an opinion on the stewardship pf public money in achieving the Council's Corporate Plan priorities.

Legal:

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

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

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

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

Finance:

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

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

Budget Area	Implication
General Fund – Revenue Budget	The external audit fees are provided for in the annual budget and MTFS. The MTFS will be updated for changes in the fees from 23/24, following the national procurement process.
General Fund – Capital Programme	Not applicable
Housing Revenue Account – Revenue Budget	Not applicable
Housing Revenue Account – Capital Programme	Not applicable

Risk:

Risk	Mitigation
The Council fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation.	Opting into the sector-led approach through PSAA provides the greatest mitigation against this risk.
Does not achieve value for money in the appointment process.	Opting into the sector-led approach through PSAA provides the greatest mitigation against this risk.

Human Resources

None

Environmental/Sustainability

None

Equalities

None

Report Author and Contact Officer

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Agenda Item 5

Ashfield
DISTRICT COUNCIL

Report To:	**COUNCIL**
Date:	**3 MARCH 2022**
Heading:	**PAY POLICY STATEMENT 2022-2023**
Portfolio Holder:	**CLLR D MARTIN**
Ward/s:	
Key Decision:	**No**
Subject to Call-In:	**No**

Purpose of Report

Section 38 of the Localism Act 2011 requires local authorities to publish a Pay Policy Statement by 31 March each year. This report presents the Ashfield District Council Pay Policy Statement 2022-2023 for agreement

Recommendation(s)

That the Pay Policy Statement is approved.

Reasons for Recommendation(s)

To ensure that the Council complies with legislative requirements.

Alternative Options Considered

(with reasons why not adopted)

No other alternatives considered.

Detailed Information

Section 38 of the Localism Act 2011 requires local authorities to publish a Pay Policy Statement by 31 March each year. The purpose of the Statement is to increase accountability in relation to payments made to senior members of local authority staff by enabling public scrutiny.

A Pay Policy Statement must set out the Authority's policies relating to:

a) the remuneration of its chief officers,
b) the remuneration of its lowest-paid employees, and
c) the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

The Statement must include the Authority's policies relating to:

a) the level and elements of remuneration for each chief officer,
b) remuneration of chief officers on recruitment,
c) increases and additions to remuneration for each chief officer,
d) the use of performance-related pay for chief officers,
e) the use of bonuses for chief officers,
f) the approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority, and
g) the publication of and access to information relating to remuneration of chief officers.

The Pay Policy Statement may include information relating to the policy on employment terms and conditions for all chief officers.

The Statement must be approved by a resolution of the Authority before the 31 March immediately before the financial year to which it relates. The Pay Policy Statement may be amended by resolution during the year. It must be published on the Authority's website as soon as possible after approval. Publishing the Pay Policy Statement also meets requirements under the Code of Recommended Practice for Local Authorities in Data Transparency.

The term 'chief officer' referred to above includes:

a) the head of paid service designated under section 4(1) of the Local Government and Housing Act 1989;
b) the monitoring officer designated under section 5(1) of that Act (monitoring officer also Director Legal & Governance);
c) a statutory chief officer mentioned in section 2(6) of that Act
d) a non-statutory chief officer mentioned in section 2(7) of that Act (three corporate directors by virtue of reporting directly to the head of paid service).

The Pay Policy Statement must include the following information in relation to each chief officer listed above:

a) the chief officer's salary,
b) any bonuses payable,
c) any charges, fees or allowances payable,
d) any benefits in kind to which the chief officer is entitled,
e) any increase or enhancement to the chief officer's pension entitlement, and
f) any amounts payable to the chief officer on the chief officer ceasing to hold office or be employed by the Authority.

Appendix One contains the full Pay Policy Statement for Ashfield District Council for the year 2022-2023. It is intended to publish this document on the Council's website immediately after resolution.

Summary of the Pay Policy Statement 2022-2023

The pay policy 2022-2023 reflects the pay for the period 2021-2022

Remuneration of chief officers

- Chief Executive (CEO) – incorporates statutory officer Head of Paid Service total annual remuneration (excludes Election duties) £109,506.
- Director Legal & Governance (incorporating Monitoring Officer) £82,463
- Director – Place & Communities - Vacant
- Director – Resources & Business Transformation - £82,463
- Director – Housing & Assets - £82,463 (plus £3191.28 Deputy Chief Exec allowance).
- Corporate Finance Manager (incorporating Section 151 officer) - £68,230.58

Remuneration of lowest paid employees
The current minimum point for a competent employee taken on in a defined role is £18,933.00, however the minimum point paid at the time of the report was £19,312

Relationship between the above
- The relationship between the remuneration of Chief Executive (the highest paid employee) and the lowest paid employees is 5.67:1
- The relationship between the remuneration of the Chief Executive (the highest paid employee) and the median average earnings across the Council is 4.47:1

Implications

Corporate Plan:

Legal:

Relevant legislation requires the Council to publish a Pay Policy Statement by end March 2019. [RLD 08/02/2022]

Finance:

This report has the following financial implications: [PH 03/02/22].

Budget Area	Implication
General Fund – Revenue Budget	The above salaries are reflected in the proposed 2022/23 Budgets to be approved by Council at this meeting (General Fund share).
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	The above salaries are reflected in the proposed 2022/23 Budgets to be approved by Council at this meeting (HRA share).
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation

Human Resources:

The policy is produced by Human Resources taking into consideration relevant legislation.: [KB 02/02/22]

Environmental/Sustainability

(to be completed by the author)

Equalities:

(to be completed by the author)

The equality impact assessment has been reviewed as part of the updating of the policy

Other Implications:

(if applicable)

Reason(s) for Urgency

(if applicable)

Reason(s) for Exemption

(if applicable)

Background Papers

Appendix 1 – Pay Policy Statement 2021-2022

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Ashfield District Council

Pay Policy Statement 2022 – 2023

March 2022

VERSION CONTROL

Version Number	Date Issued
Original	
Revised V1	
Revised Final Version	

ASHFIELD DISTRICT COUNCIL
Pay Policy Statement 2022 - 2023

1. Introduction

1.1 Section 38 of the Localism Act 2011 requires local authorities to publish a Pay Policy Statement by 31 March each year. The purpose of the statement is to increase accountability in relation to payments made to senior members of local authority staff by enabling public scrutiny. The policy reflects the financial year for 2021 - 2022.

1.2 The Act and supporting statutory guidance provides details of information that must be included in this statutory pay policy but also emphasises that each local authority has the autonomy to take its own decisions on pay and pay policies. The Pay Policy Statement must be approved formally by Council by the end of March each year; can be amended in year; must be published on the Council's website and must be complied with when setting the terms and conditions of Chief Officer employees.

1.3 This Pay Policy includes a policy on:

- The level and elements of remuneration for each Chief Officer
- The remuneration of the lowest paid employees
- The relationship between the remuneration of Chief Officers and other Officers
- Other specific aspects of Chief Officer Remuneration, fees and charges and other discretionary payments

1.4 Remuneration includes any charges, fees, allowances, benefits in kind, any increase in enhancements of pension entitlements and termination payments.

1.5 Attached to this Statement is a summary of chief officers pay in the Authority and those earning above £50,000.

2. Remuneration of the Council's Chief Officers

2.1 The posts which are Chief Officer posts for the purposes of the Council's Pay Policy Statement under the Localism Act 2011 are:-

- Chief Executive (as Head of Paid Service-S43 (2) (a) of the 2011 Act)
- Director – Legal & Governance and Monitoring Officer (S43 (2) (b) of the 2011 Act)
- Director – Resources & Business Transformation (S43 (2) (d) of the 2011 Act)
- Director – Place & Communities (S43 (2) (d) of the 2011 Act)
- Director – Housing & Assets (S43 (2) (d) of the 2011 Act)
- Corporate Finance Manager (as Section 151 Officer-S43(2)(c) of the 2011 Act)

2.2 The policy for each group is as follows:-

Chief Executive

- The salary for this post is within a locally determined pay scale which is spinal points CEOP1 to CEOP3, which equates to £109,506 - £122,865 per annum.
- The pay scale was determined by the Council's Chief Officers Employment Committee following an analysis of benchmark data with other comparators and an analysis of the degree of responsibility for the role.

.

- Progression through the scale is determined through satisfactory annual performance appraisals.
- Other Conditions of Service are as prescribed by the Joint National Council (JNC) for Local Authority Chief Executives national conditions.

Monitoring Officer and Directors

- The salary for these posts is a locally determined fixed salary point of £82,463 per annum.
- The pay scale was determined by the Council's Chief Officers Employment Committee following an analysis of benchmark data with other comparators and an analysis of the degree of responsibility for the role.
- There is an additional £3,191.28 responsibility allowance payable to the designated Deputy CEO. This is subject to an annual review.
- Other Conditions of Service are as prescribed by the Joint National Council (JNC) for Local Authority Services.

No member of the Corporate Leadership Group (i.e. those posts listed above) is entitled to other additional elements of remuneration in respect of overtime, flexitime, bank holiday working, stand-by payments etc. as these officers are expected to undertake duties outside their contractual hours and working patterns without additional payment.

Following a restructure exercise it was agreed by Chief Officers Employment Committee that one Director would assume the role of Deputy Chief Executive for a small responsibility allowance, which has been set at £3,191.28 per annum. This is an annual appointment made by the Chief Executive.

Section 151 Officer (Corporate Finance Manager)

- The salary scale for this post is a locally determined fixed salary point of £61,848 per annum.
- Other Conditions of Service are as prescribed by the Joint National Council (JNC) for Local Authority Services.
- There is an additional £6,382.58 Section 151 allowance payable to the designated Section 151 Statutory Officer. This is subject to an annual review.

Other Chief Officer posts

- Although not defined as Chief Officers for the purposes of the Pay Policy, the Council also employs employees at Assistant Director level, whose Terms and Conditions of Service are as prescribed by the Joint National Council (JNC) for Local Authority Services. The salary range for these posts is £59,677 - £61,848 per annum. Details of these posts are listed below:-
  - Assistant Director – Planning & Regulatory Services
  - Assistant Director – Assets & Investments
  - Assistant Director – Resources & Transformation
  - Assistant Director – Housing Operations
  - Assistant Director – Housing Management & Tenancy Services

2.3 Cost of Living Pay Awards

A cost of living pay increase has been agreed at 1.5% for JNC Chief Executives and JNC for Chief Officers, this agreement is payable from to 1st April 2021

The cost of living pay increase for NJC terms and conditions has not currently been agreed however upon agreement it will be backdated to the 1st April 2021

Pay awards are negotiated nationally. When a national pay award is agreed the pay rates stated in 2.2 above will change to reflect the percentage increase awarded.

3. Additional Fees

3.1 Special fees are paid for Returning Officer duties, which are not part of the post holder's substantive role. These fees are payable as required and can be made to any senior officer appointed to fulfil the statutory duties of this role. The Returning Officer is an officer of the Council who is appointed under the Representation of the People Act 1983. The role of the Returning Officer involves, and incurs personal responsibility and accountability and is statutorily separate from their duties as an employee of the Council. As Returning Officer they are paid a separate allowance for each election for which they are responsible.

The Nottinghamshire Election Officers group regularly review the scale of fees and these reviews determine the rates applied for the elections held in 2021/2022. This information is available on the Council's Website.

4. Pay Structure

4.1 The pay structure for all employees outside the Chief Officers is in accordance with the NJC for Local Authorities National Pay Spine.

4.2 All posts outside the Chief Officers are evaluated using a locally adopted job evaluation scheme. The Council adopted the NJC Job Evaluation Scheme for all employees outside those on Chief Officer's terms and conditions during 2014 – 2015.

5. Remuneration of the Council's lowest-paid employee

5.1 With effect from 1 April 2021 the lowest paid employee within the Council is paid at Local grade A14 which equates to £19,312.00 per annum. The lowest spinal column point in the pay structure is A12 which equates to £18,933.00 per annum however there are no employees paid at this rate at the time of the report.

5.2 The Council ensures that remuneration of the lowest paid employee reflects the Living Wage.

6. Allowances and benefits in kind

6.1 Allowances and benefits typically follow nationally agreed rates. Locally agreed allowances or benefits in kind payments include:

- All employees of the Council have access to Ashfield Benefits, which enable employees to enjoy discounts with major retailers. There is a contribution cost from the employer of £2.95 per employee per annum.

- Access to salary sacrifice schemes such as child care vouchers (This is only applicable to existing employees already in the scheme in line with current legislation) and cycle to work schemes, which are available to all employees in accordance with current policies.
- Reimbursement of professional fees, where applicable, in accordance with the current policy introduced with effect from 1 October 2014.

7. Payments, charges and contributions

7.1 All employees, including Chief Officers, who are members of the Local Government Pension Scheme (LGPS), make individual contributions to the scheme in accordance with the following, which were effective from 1 April 2021.
*Please note: 50/50 scheme is for employees who opt to pay reduced contributions for a reduced pension

Band	Range	Contribution rate for employment	
		Main Section	50/50 Section*
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 or more	12.50%	6.25%

7.2 The Council makes employers contributions into the scheme. The current rate of contribution is 18%. The next review by the actuary will be in 2024 and the revised rate will be implemented once confirmed.

8. Relationship between remuneration levels

8.1 The Council's current ratio between its top earner (£109,506) to its median earner (£24,491) is: 4.47:1.

8.2 The Council's current ratio between its top earner (£109,506) to its lowest earner (£19,312) is.5.67:1

8.3 These ratios will be monitored annually within the Pay Policy Statement and the figures exclude apprentices.

9. Severance and Discretionary payments

9.1 The policy for the award of any discretionary payments is the same for all employees, regardless of their pay level and is in accordance with the Council's current Discretionary Compensation Payment Policy.

9.2 The Council also reserves the right and discretion to implement settlement agreements with individual employees, which may include enhanced severance and discretionary payments in accordance with a business case. The business case will be considered and determined by:

Chief Officers Employment Committee: Chief Officers and Statutory Officers as defined in the Council's Constitution
Chief Executive: All other employees

10. Remuneration Decisions

10.1 Decisions on remuneration relating to pay, starting spinal point (for Chief Executive only) and any additional allowances for Chief Officers as defined in the Council's Constitution are determined by the Chief Officers Employment Committee and ratified by the Council.

10.2 Spinal point progression for Chief Executive is considered and approved by the Chief Officer Employment Committee subject to satisfactory performance.

10.3 The Chief Officers Employment Committee acts as the recruitment interviewing committee for all posts defined as Chief Officers and/or Statutory Officer posts in the Council's Constitution

10.4 Where individual officers are requested to carry out part of a role at a higher level in excess of four weeks and/or carry out project related activities outside of their substantive role, Chief Officers may, at their discretion, propose that an honoraria is paid in accordance with the Council's Acting Up/Honorarium Arrangements Guidance.

11. Publication

11.1 This Pay Policy Statement will be published on the Council's website in accordance with Section 38 of the Localism Act 2011. The statement also contains information of posts attracting salaries in excess of £50,000 to meet the requirements of the Local Government Transparency Code (see Appendix 1)

12. Annual Review

12.1 The Pay Policy Statement will be annually reviewed on or before 31 March each year.

Appendix 1

Pay Policy 2022 – 2023 (Reflecting Financial Year 2021 - 2022)

Post	Total annual Salary	Salary Range	Salary on recruitment	Amount payable on cessation of employment
Chief Executive	£109,506	£109,506 - £122,865	£109,506 (2021)	See Policy
Director – Legal & Governance (also Monitoring Officer)	£82,463	£82,463 Single point	£71,000 (2011)	See Policy
Director – Place & Communities	Vacant			See Policy
Director - Resources & Business Transformation	£82,463	£82,463 Single point	£71,000 (2011)	See Policy
Director – Housing & Assets (also Deputy Chief Exec)	£85,654.28 (£82,463 base salary plus £3,191.28 responsibility allowance for Deputy Chief Executive role)	£82,463 Single point	£73,144.20 (2016)	See policy
Corporate Finance Manager (also Section 151 Officer)	£68,130.58 (£61,848 base salary plus £6,282.58 allowance for Section 151 Statutory Officer role)	(Single point) £61,848	£56,100 (2018)	See policy

Posts attracting salaries in excess of £50,000 (to meet the requirements of the Local Government Transparency Code)				
Post	**Total annual salary**	**Salary range**	**Salary on recruitment**	**Amount payable on cessation of employment**
Assistant Director – Planning & Regulatory Services	£61,848	£59,677 - £61,848	£56,100	See policy
Assistant Director – Assets & Investment	£61,848	£59,677 - £61,848	£56,100	See policy
Assistant Director – Corporate Support and Transformation	£61,848	£59,677 - £61,848	£57,222	See policy
Assistant Director - Housing Operations	£61,848	£59,677 - £61,848	£57,222	See policy

Assistant Director Housing Management & Tenancy Services	£59,677	£59,677 - £61,848	£59,677	See policy
Service Manager Revenues and Benefits	£54,615	£51,555 - £54,615	£47,276	See policy
Service Manager Strategic Housing & Lettings	£54,615	£51,555 - £54,615	£49,191	See policy
Service Manager – Place & Wellbeing	£51,555	£51,555 - £54,615	£51,555	See policy
Service Manager Neighbourhood and Environment	£54,615	£51,555 - £54,615	£54,615	See policy

Lowest-paid employee	£19,312.00			
Median Pay	£24,491.00			
Mean Pay	£27.083.51			
Ratio between the highest paid employee and lowest paid.	5.67:1			
Ratio between the salary of the highest paid employee and the median salary	4.47:1			
Ratio between the salary of the highest paid employee and the mean salary	4.04:1			